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NINO LEVI, 1894-1941

ONCE more the Graduate Faculty has been struck by death. On March 25th Nino Levi passed away at forty-seven as a result of fatal injuries received in an accident.

When he was eighteen, Nino Levi, not yet graduated from the Law School of the University of Padua, was one of the leaders of democratic forces in Italy. Endowed with an Italian versatility checked by a conscientious self-discipline, Nino Levi seemed unquestionably destined to rise to a commanding position among the Italians of his time.

He worked in politics as a friend of the underprivileged, became head of the provincial administration of Milan when he was in his early twenties, and did not desert the humble people who gave him their confidence when, in 1922, Fascism swept over Italy. Then he rededicated himself to the study of criminal law and criminology and soon he was acknowledged as a master in his field. As a practitioner of law, he was one of the two or three outstanding lawyers of Italy. He was the type of man who succeeds, in all circumstances and in spite of all odds.

The odds were overwhelmingly against Nino Levi during the years 1922 to 1938 which he spent teaching and practicing law in Italy. Again the road to political power was open to him, if only he would agree to make concessions and to become a Fascist. But he chose to stay in his country during all those years, helping his political friends who were in need. It seemed that not everything was lost in Milan because Nino Levi was still there.

In 1938 he had to leave Italy. He was happy over here working for the first time in a free country, convinced that he could contribute something to the science of criminology as an American scholar. Everybody who knew him realized that he was a man destined to become a leading figure in his scientific field. His death is a great loss, to his two sons, to the Graduate Faculty, and to American scholarship.

CONTROL OF THE CONQUERED'

BY ERICH HULA

I

From social theory, where it figured ominously in the last few decades, increasingly displacing the social contract as a theory of the origin of the state, conquest has moved into the headlines of the newspapers. And not the conquest of some faraway country in Africa or Asia, but the conquest by one European power of other European powers. To be sure, instances of conquest were not altogether unknown even to the nineteenth century, but its methods had become humanized in that most gentle period of European history, as had war in general and its termination. Therefore, if we desire to understand what is going on today in the European countries which have come under Hitler's rule in the last few years, we have to turn back to the records of conquest undertaken in infinitely less humane periods of history. The reports from those countries are scarcely believable if they are viewed in the light of the nineteenth century.

The most appalling features of the present European order appear less incredible if we consult the Bible of the Nazi conquerors. The master of this "New Order" has been considerate enough, or perhaps only clever enough, to expound his philosophy of conquest in *Mein Kampf* in unmistakable terms. Moreover, the methods which Hitler has applied in conquering and keeping down the nations of Europe are to a certain extent only a repetition, though on a much more gigantic scale, of what he did first in Germany. In fact, only now, after this period of international

¹This article has been prepared in connection with the Peace Research Project of the Graduate Faculty. In collecting the material I have had the valuable assistance of Dr. Ulrich Katz. I have scrupulously endeavored to base the analysis upon reliable sources, for in discussing the system of control established by the conquerors of today I prefer to understate rather than overstate its most ghastly features.

war, can we fully realize that also the so-called National Revolution of 1933 was patterned on conquest and subjugation, applied by the victorious movement to its own nation. Destruction of the ruling political group and its substitution by another group—the processes which we are witnessing in the conquered countries today—were the main feature of Germany's National Revolution in 1933. Total revolution and total war prove to be essentially alike. The history of the former may therefore serve as a guide to the latter.

If Hitler's policy of conquest is viewed in this way we may doubt whether the term "control" correctly conveys what the Nazi mastership over subject nations actually is. The word control has its place in a stable world, based on consent rather than on force. This world is not Hitler's world. He wants to create a New Order, and he founds it on the German people's sword. It is rather the present relationship between Germany and such countries as Switzerland and Sweden that could still be described as a relationship of control. So far these countries have preserved their independence, but they must be careful not to emphasize it. If we are ready to stretch the term we might classify Germany's relations with her Axis partners, Italy, Hungary, Rumania, Slovakia and Bulgaria, in the same way. The presence there of German troops puts these countries, however, somewhere between the remnants of free continental Europe and the conquered nations.

But the standing of the several conquered nations themselves varies a great deal, both in law and in fact. We may speak roughly of two categories of occupied territories: the countries which, as political individualities, have been practically extinguished by the conqueror; and the countries whose political fate he has left in suspense for the time being.

II

Apart from Poland, which was subjugated by war, the fate of political extermination has so far been reserved for the countries which Hitler has conquered by skilfully applying the methods

of what one used to call "peaceful change." In regard to Austria, the first victim of Hitler's onslaught, such methods were to prove the more successful as the world in 1938 could not yet fully realize that the strange circumstances in which the so-called Anschluss was carried through were not peculiar features of the particular case but were characteristics of Hitler's technique of conquest, later to be repeated time and again in other countries when their turn had come. Seyss-Inquart could not yet be seen in the perspective of Quisling. Austria's incorporation into the Reich was soon followed by her complete extinction as an historic individuality. Only a little more than one year after the annexation the last vestiges of her former statehood had been wiped out by the liquidation of the old federal administration. Austria has been divided into seven separate territorial districts, called Reichsgaue, each headed by a Reich Regent who is directly subordinate to the Reich government in Berlin. Therefore Austria, even as a merely administrative unit, no longer exists. For the time being Berlin has triumphed over Vienna.

"The Protectorate of Bohemia and Moravia is autonomous and administers itself," proclaims the decree signed by Hitler in Prague on March 16, 1939. This phraseology cannot deceive anybody as to the true nature of the regime established by Germany in Bohemia and Moravia, or better, in what is left of these countries. The Sudetenland, taken over by Germany after the Munich Conference in September 1938, forms a separate *Reichsgau*. Bohemia and Moravia, like Austria, have been in fact annexed by the Reich. The decree itself declares Bohemia and Moravia to be a part of the territory of the Greater German Reich. The best that can be said about the Protectorate imposed upon the Czech people is that, so far at least, it recognizes Bohemia and Moravia as an administrative unit. This is bound to help continue the tradition of Czech statehood.

The allegedly autonomous character of the Protectorate of Bohemia and Moravia, as far as its internal affairs are concerned, deserves a few words more. The principle of "indirect rule," conia,

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sisting in the use of natives in government positions of the colony. has rightly been hailed as a step forward in improving colonial administration. The application of this principle to European nations, highly trained in the art of self-government, certainly cannot be considered a measure of progress. But even if the colonial phraseology is accepted, how far does the alleged improvement exist under the administrative system of the Protectorate? To be sure, the decree of March 16, 1939, provides that "the Head of the autonomous administration of the Protectorate of Bohemia and Moravia enjoys the protection and the rights of the head of a State." It also speaks of a "Government of the Protectorate" and grants to Dr. Hacha and his government, though merely by implication, the right to legislate. Von Neurath, the Reich Protector, is authorized, however, to inform himself about all measures taken by the government of the Protectorate and to give advice. He can veto any measure which he considers likely to injure the Reich. When he thinks there is danger of delay he can himself issue decrees which he deems necessary in the common interest of the Reich and the Protectorate. The promulgation of laws, decrees and other legal enactments, and also the execution of administrative measures and valid judicial decisions, are to be stopped when the Reich Protector objects to them. Moreover, the Reich government in Berlin may directly promulgate legal enactments applicable to the Protectorate and take administrative branches into its own administration by setting up the requisite Reich authorities. If, further, we remember that the Head of the Protectorate needs the confidence of the Führer for the conduct of his office, and that the membership of the government of the Protectorate is subject to confirmation by the Reich Protector and that this confirmation can be withdrawn at any time, we realize that the privileges graciously granted by the German conqueror to the Czech people are as many nails in the coffin of its freedom.

It is much more difficult to answer the question how this administrative system actually works. It is a matter of course that Dr. Hacha and his government can hardly afford to reject legis-

lative proposals made by the Reich Protector. From the sparse information one can piece together it looks, however, as though they occasionally dare to do so. The fact that the right to act, both in legislative and in administrative matters, automatically devolves upon the German authorities if the Czech authorities refuse to do what they are told, is necessarily always a great inducement for the Czech officials to give in. At least in the lower ranks of the Czech administration the threat of the concentration camp probably proves to be no less effective.

The system of "indirect rule" can easily be turned into a hostage system by making the native authorities liable for the good behavior of the native population. Used, or rather, abused in such a way, the system of "indirect rule" becomes a wedge driven into the body of the conquered. It seems that this effort to promote dissension has failed in the Protectorate, so far at least. Practically all reports on conditions in Bohemia and Moravia stress the discipline of the Czech nation in this hour of trial. Nor has the German attempt to initiate a Czech fascist movement made much headway. In considering the conspicuous failure of these attempts to disintegrate the Czech nation we have to bear in mind, however, that it is rather doubtful whether such attempts have ever had the full backing of all German authorities. The foundations of the German Protectorate over Bohemia and Moravia were laid before the present war broke out, but later developments have been greatly influenced by the exigencies of the war. We touch here upon a question which will present itself also in the other conquered countries, the question of the relationship among the German military, civil, party and secret police officials. Generally, it may be said that the state authorities, standing for expediency, have some slight chance to prevail over the party authorities when and where the pressure of the war is most urgently felt. The Protectorate being one of Germany's most important war arsenals, the German state authorities have been successful in preventing unnecessary troubles.

Assuming what can hardly be assumed, that cultural autonomy

does not presuppose a minimum of political and civil rights, what are the chances that the Czech nation will survive under the German Protectorate as a cultural unit if the present state of affairs should last? If we could trust the solemn pledges of the conqueror the cultural existence of the Czech nation would be more than assured. "The . . . cultural and political frame which has been set up by the Führer's decree," wrote Reich Protector von Neurath shortly after he had been installed in office, "is large enough to secure to the Czech people the undisturbed, free development of its rich talents and to lead the Bohemian-Moravian countries toward a new cultural and economic prosperity."2 The road thence seems to be long and strangely crooked, however. According to Czech reports the German authorities ordered, in November 1939, the closing of the Czech universities and schools of university rank for a period of three years. Their libraries are reported to have been pillaged and destroyed. The only university left in the Protectorate is the German one in Prague, but neither this nor any university in the Reich proper may admit Czech students. Thus, for the time being, no Czech may obtain a university education.3 The same sources report that the Nazis recently began to close Czech high schools as well. Needless to say, the other cultural agencies are likewise at the mercy of the conqueror. The press and the radio are as much, or even more, dictated in the Protectorate as in Germany proper.

There is, however, much more at stake for the Czech people than their culture. The Nazi system of "protecting" them threatens their very physical existence.

Hitler likes to picture himself as the long-hoped-for statesman who is finally going to establish lasting peace among Europe's ever-quarreling nations, in the same way in which—if we are to believe him—he has already stopped the class struggle within the nations under his control. Thus the Czech people were told by their conquerors time and again that they have nothing to

² Konstantin von Neurath, "Die Neuordnung der europäischen Mitte" in Europäische Revue, vol. 15 (April 1939) p. 327.

³ Central European Observer (London), new series no. 5, April 1, 1940.

fear for their racial existence. Whereas the nationalism of the nineteenth century aimed at the aggrandizement of one's own nation by the denationalization of other national groups, the National Socialism of the twentieth century—so runs the typical argument—aims, for reasons of sound racial policy, at the clean separation of the several nations and nationalities, and therefore rejects any policy, forceful or otherwise, of national amalgamation.

At first sight the argument looks convincing. The former policy of denationalization had been based upon the assumption that the amalgamation of different national stocks would turn out to the advantage at least of the dominant national group. Paradoxically enough, this policy, with all the injustice and hardship it inflicted, presupposed a belief in the essential equality of all men. National Socialism certainly does not share such a belief, and certainly does, so far consistently, advocate racial purity. The present system of the Bohemian-Moravian Protectorate does not, however, effect a clean separation of the Czech and German nations. It does not separate the two peoples, but merely subordinates the one to the other. It does not establish peace between them, but makes rather for war.

The cession of the Sudetenland to Germany had been asked for by Hitler on the basis of the clean-separation principle. If the English and the French, and perhaps also some Czechs, had somewhat naively believed that Hitler meant what he said, they were soon to be disappointed. To be sure, the Czechs moved from the Sudetenland into the interior of Czechoslovakia, but the Germans living in the inner parts of Bohemia and in Moravia stayed where they were. Organized on the pattern of the Nazi party they were a few months later to hand over Rump Czechoslovakia to the Führer. When Hitler marched into Prague the Fifth Column became institutionalized and was given its patent of nobility. It is significant that the decree of March 16, 1939, which is to be considered the fundamental law of the Protectorate, does not contain the word Czech. The Czechs are, in the language of this document, "the other inhabitants of Bohemia and Moravia," a mere

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appurtenance of the Bohemian-Moravian soil. Only "the German inhabitants of the Protectorate" are mentioned in the decree. They alone become full-fledged German citizens, required to do military service and subject to the regulations for the protection of German blood and German honor. Being the racial aristocracy of the land, they are exempt from the jurisdiction of the Czech courts and can be tried only by German courts. Even civil disputes between a German and a Czech come before German courts. The German judiciary consists of no less than three higher and seven lower courts.

But this is not all. Cross-colonization is one of the oldest devices in the technique of conquest. Particularly the Assyrians are reputed to have been real masters in colonizing groups of undoubted loyalty among the newly-conquered, and settling groups of the conquered among the loyal population. Germany applies the same method today by ordering Germans into the Protectorate, and Czechs into the Reich. According to reports from Prague the number on each side goes into the hundred thousands. The figures given in this information may not be reliable, but the very fact that the device of cross-colonization is being applied reveals the seriousness of the danger threatening the physical existence of the Czech people.

The Protectorate set up before the present war broke out, or at least some of its features, may reasonably be expected to become the model of "international" relations between Germany and other European nations, if Hitler's New Order should ever be firmly established. As a matter of fact, the scheme of splitting up the body politic by institutionalizing the Fifth Column, or to put it in more traditional terms, by exempting German-stock citizens of foreign nations from the jurisdiction of their own government, has already been imposed by Germany upon other nations—upon Slovakia, Rumania and, to a certain extent, Hungary. It may be no accident that shortly afterward they officially

⁴ W. C. MacLeod, "Conquest" in Encyclopaedia of the Social Sciences, vol. 4 (1931) p. 206.

joined the Axis. The implications of Hitler's ingenious contribution to the solution of the problem of sovereignty cannot yet be fully recognized. So far we know only that there exist German plans for applying the same scheme also on the American continent if the right moment comes.

Compared with the Czechs, the Slovaks have fared somewhat better. Differential treatment is an old device of the policy of "divide and rule." The treaty between Germany and Slovakia, signed at Berlin on March 23, 1939, establishes a system of "protection" which grants to Slovakia a more favorable status than protected states otherwise enjoy under international law, in so far as it recognizes, formally at least, Slovakia's external and military sovereignty. According to this treaty Slovakia still conducts her own foreign and military affairs, although she is obliged to pursue her policy in close cooperation with the German government and the German armed force. The latter, moreover, has the right to erect and maintain military establishments on Slovakian soil. Nevertheless, as was borne out by the crisis which German-Slovakian relations went through in the summer of 1940, Slovakian "independence" was not altogether empty in the first year of the new regime. Complete subjection to German commands, in both political and economic matters, dates only from the "conferences" on the Obersalzberg to which the Slovak leaders were summoned after the collapse of France.

Dr. Hacha occasionally tried to dispose the conqueror toward a policy of cooperation by pointing to supposedly common traits of the German and Czech peoples.⁵ A Pole, on the other hand, could not even dare to suggest that his nation and the Germans have anything in common. At present the Polish people hold the second lowest rank in the Nazi hierarchy of races; only the Jews stand beneath them. Reports from American correspondents in Berlin inform us that the Germans are systematically taught to despise the Poles, and learn to treat them as their servants.⁶

⁵ Emil Hacha, "Die Neuordnung der europäischen Mitte" in Europäische Revue, vol. 15 (April 1939) p. 329.

⁶ New York Times, September 18, 1940.

Reich Minister Himmler has ordered that Poles living in the Reich must wear a badge by which they may be more easily distinguished from the members of the German master race.⁷ The Poles are similarly treated in what was once their country. Poland seems to have been singled out as the hunting ground of the *Ordensjunker*, the party elite, who are there introduced into the arcana imperii and trained to behave as *Herren*. None of the reports from and about Poland indicates that the party rule is seriously checked by the influence of other German authorities, military or civil, as it is in most of the conquered countries.

The Polish territory conquered and kept by Germany was subdivided into two zones. The western provinces, Pomerania, Posen, Polish Upper Silesia and a part of Congress Poland, including the industrial center Lodz, were incorporated into the Reich shortly after the conquest. The rest was set up as the so-called Government-General. Hundreds of thousands of Poles living in the western provinces were expropriated and expelled and had to move into the Government-General to make room for German settlers transported, it seems, from Russia and South Tyrol.⁸ Men are no longer men in that part of Europe, but cattle moved hither and thither for breeding a new race, if they are German, or victims to be robbed and extinguished, if they are Polish. To the population policy corresponds a depopulation policy (Entvölkerungspolitik).⁹

The Polish and Allied governments were therefore right in charging Germany with pursuing a policy deliberately aimed at the destruction of the Polish nation. The Pope, too, repeatedly raised his voice to protest, and unveiled the atrocities of the religious persecution. How well-founded these accusations are has been most convincingly confirmed by Goebbels' order to the

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⁷ London Times, September 20, 1940.

⁸ Himmler, the Chief of the Secret Police who, significantly enough, is in charge of all population transfers ordered and carried through by the Reich government, speaks of from 500,000 to 600,000 people who have to be moved into the Government-General. See *Neue Zürcher Zeitung*, October 24, 1940.

⁹ See Hermann Rauschning, The Revolution of Nihilism (New York 1939) p. 208.

German press to keep complete silence about what is going on in Poland.¹⁰

The device of cross-colonization is applied on a much larger scale and in a more systematic way than in conquered Czechoslovakia. No less than 340,000 Poles, not including the prisoners of war, were deported to Germany during the first year of the German rule, according to figures given by the German Governor-General himself.¹¹ All in all, what is bad in conquered Czechoslovakia is infinitely worse in subjugated Poland.

Having failed to find a Pole who would be ready to form a puppet government, the Germans had to place the Government-General under a purely German administration. This failure, or some other reason, may account for the fact that in August 1940 the Government-General too was formally annexed and declared to be an integral part of the Greater German Reich, although under special administration. The service of Poles is being made use of only in the lower ranks of the administration.

Ш

A different policy has been pursued by the conqueror in northern and western Europe. The political individuality of Denmark, Norway, Belgium, Holland and France has so far been preserved, nor have their political, economic and social institutions undergone on the whole so fundamental a change as was the case in central and eastern Europe. The regime imposed upon the northern and western countries is, more than anything else, a so-to-speak traditional military occupation under war conditions, like the German occupation of France and Belgium from 1914 to 1918. The traits of a German long-range policy, visualizing the future postwar order, are accordingly less conspicuous.

German policy varies considerably in the several countries, a

¹⁰ See Free Europe (London), vol. 2, no. 25, October 18, 1940.

¹¹ See London Times, November 2, 1940.

¹² See L. Oppenheim, *International Law*, 6th ed., ed. by H. Lauterpacht (New York 1940) vol. 2, pp. 337 ff. The term "traditional military occupation" is used in this context to connote also the violations of the rules of international law which are traditionally associated with the occupation of enemy territory.

variation arising from the conflicting tendencies which it represents—the National Socialist party (which seems in itself to be often split on important questions of policy), the secret policy, the army and the economic circles—as well as from the exigencies of the war with England, whose theater is so much nearer in this part of Europe. No less powerful has been the influence of the political climates in the respective countries.

If it were not for the economic exploitation under which she has to suffer as much as any other occupied country, the situation of Denmark could be described as idyllic. It offers in the person of Stauning the rare example of a member of the Second Socialist International holding, by the grace of Hitler, the office of Prime Minister, instead of being locked up by him in the concentration camp. And the Marxist Prime Minister still dares occasionally to arrest members of the Fifth Column. A rather discreet control seems to be exercised by the German Minister at Copenhagen and the military authorities. We may assume that Denmark's privileged position is being held out by Hitler as an example of the reward which a "reasonable" nation can expect—if it is also small enough and weak enough.

The German policy in Norway fits least into the category of traditional military occupation. Both the extent of German interference with Norwegian domestic affairs and the technique applied secure to the Nazi experiment in Norway far-reaching importance. At first negotiations were undertaken by Reich Commissioner Terboven with a view to bringing the existing political parties of Norway into line with German demands, but these negotiations collapsed in September 1940. At that time King Haakon, living in exile, was deposed by Terboven, the old political parties were dissolved and a State Council established. Of the latter's fifteen members thirteen belong to Quisling's Nasjonal Samling, Norway's German-sponsored National Socialist party. Quisling himself, however, remained outside the State Council, which is a kind of Norwegian cabinet to which the German military and civil authorities direct their commands and which in

turn has to enforce those commands upon the lower ranks of the Norwegian administration and upon the Norwegian people.

This is the first and, so far, the only case in which Germany has based her puppet government upon a native totalitarian movement, organized on the pattern of the National Socialist party. Significantly enough, even here the leader of the party has been left outside the government. Nor do the German authorities seem inclined to give full backing to the attempt of the Norwegian Nazis to get hold of the entire administrative machinery, if we may judge from the apparently modest results which the latter have so far achieved. The stubborn resistance of the Norwegian people to the advances of a Berlin-made movement which, at the last elections to parliament, polled no more than 3 percent of the total vote cast, deserves full credit for its patriotic fervor and courage. That alone, however, cannot completely account for Quisling's failure to sweep the country. The limits of Quisling's possibilities of success are the limits to which the German conqueror will go in furthering any "totalitarian movement" of a conquered nation. These limits run where such a movement could possibly become a real power. The German-sponsored totalitarian parties of the conquered are, for the Nazi conqueror, not an instrument which would secure to the conquered a minimum of home rule, but simply and solely a way of operating disruptive forces. Even a Nordic form of German protectorate would thus be essentially on the Bohemian-Moravian pattern.

There are indications that in Holland, too, the attempt may soon be made, by setting up a Dutch puppet government, to disguise the unpleasant fact that the nation has to live under the fist of the conqueror. The first step in this direction is always the installing of a Reich Commissioner taken from the party ranks; in Norway it is Terboven, in Holland Seyss-Inquart. But for the time being, the administration of the country, under the command of the German authorities, is still carried on by the bureaucratic heads of the Dutch ministries, for strategic and economic considerations suggest a particularly cautious policy in the

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Netherlands. The integration of Holland into the New Order to be established in Europe when the war is over is so far being prepared along ideological lines, by putting the agencies of propaganda into the service of reinterpreting Dutch history, illustrating the devilish devices of English continental policy, calumniating the royal family, to whom the Dutch people feel so strongly attached, and purging the textbooks which do not fit into the Nazi pattern of Dutch destination.

Belgium has been spared the experience of a Reich Commissioner. Nor has King Leopold lent himself to the setting up of a puppet government. On the whole the present system of occupation greatly resembles the German occupation policy during the first World War. The Rexist movement seems to be kept alive, but that is about all Degrelle can hope for at present. With more care a Flemish totalitarian movement is being fostered, the "Dietsche National Solidaristen," or "Dinasos," as they are called.13 The claims put forward by this movement have furnished the occupation authorities with a pretext for preparing the complete cultural, and that is bound to mean in the long run also political, separation of the Walloon and the Flemish parts of Belgium. According to a decree issued in November 1940, newspapers written in French are allowed to be published only in the Walloon districts, and Flemish newspapers only in the Flemish districts. Brussels alone is recognized as a bilingual city.14 The reports from Belgium agree that the driving force behind the strategy of disintegration is the German army, which, in this respect too, merely falls back upon the old World War plan of setting up a Flemish vassal state comprising the western parts of Belgium and a French coastal strip along the channel.

The situation of the French is unique among the conquered nations of Europe inasmuch as there still exists a French government beyond the demarcation line which separates the occupied from the unoccupied territory of France. It does not, indeed,

¹³ London Times, November 22, 1940.

¹⁴ Neue Zürcher Zeitung, November 23, 1940.

require great sagacity to point out that the Vichy government exists only on German sufferance. But in the Europe of today one or two degrees less of servitude mean for subject nations as much as pennies mean for the poor. The Laval episode of December 1940 has proved that the Pétain government is not a puppet government. Nor is the Marshal himself a man of the colorless bureaucratic type which suits the Nazi policy so well. But whatever role the Vichy government may play as a unifying factor in unoccupied France, and also beyond the frontier in the rural districts of the occupied zone, Hitler can check it by skilfully using the threat of another Commune as a trump card. To judge from the cautiousness with which Abetz, Reich Commissioner in occupied France-he too, like Terboven and Seyss-Inquart, is a party man—engages the services of Doriot, the man of the Paris banlieue, Hitler recognizes the risk involved in outright revolutionary tactics. But we may be sure that he will do his best to keep alive the ever-smoldering antagonism between Paris and the Province. The encouragement which the German authorities have given to a small autonomous group in Brittany shows them ready to play other cards of this kind as soon as the end of warfare releases them from the necessity of first heeding reasons of military expediency.

As far as conditions in the occupied zone are concerned, the existence on unoccupied French territory of an independent French government hardly eases the fate of being conquered. The only protection, problematic enough, of occupied France consists in her being the theater of the war against Great Britain, with all that this implies for the relative weight of the several branches of the German administration. The recent arrest by German authorities of a prefect who had the special confidence of Marshal Pétain clearly shows whose commands the French officials in the administration of the occupied zone have to obey. 15

¹⁵ The outlook in France has been thoroughly discussed by Vera Micheles Dean, "Europe Under Nazi Rule" in *Foreign Policy Reports*, vol. 16, no. 15, October 15, 1940, pp. 188 ff.

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The pattern for the economic conquest of all these countries had already been put to the test in Germany proper in 1933 and afterward.16 But the range of operations had to be enlarged and repeated on a European scale. In 1933 the right to appropriate all public and private property had not been exercised on so broad a basis as the ancient law of war, revived by the new German Herren class, is being exercised today. To be sure, in the sphere of economic conquest, too, conditions vary from nation to nation, corresponding more or less to the varying conditions in the political sphere. But the technique as such is the same everywhere: conquest of the machinery controlling the economic system of the country; subjugation by means of this machinery of everyone who holds an economic position, be he employer or worker, farmer or artisan, thereby completing and sealing his political subjugation; and finally, exploitation of all economic resources, be it by individual or legalized collective actions.

The machinery of control over the economic system is what in fascist countries is called the corporative system. The institutionalization of the professions and classes in European society has greatly facilitated the introduction of this system, for in most countries the conqueror found an administrative structure already in existence which had only to be adapted to the new needs by putting it on a totalitarian basis and coordinating it with the respective organizations in Germany proper. The degree to which natives are allowed or compelled to participate in handling this machine depends upon the actual political circumstances. Where such an administrative apparatus is not yet functioning, or where a functioning one is broken up because of political considerations, the economic and social life is pressed into new forms. This holds also for the trade unions. According to the rather vague reports available, the old Norwegian trade unions are still carrying on, though under new directing personnel, whereas the old Dutch trade unions seem to have been dissolved.

¹⁶ See Max Ascoli and Arthur Feiler, Fascism for Whom? (New York 1938) p. 225.

In a system under which foreign economic relations, raw materials, capital and credit, prices and wages and manpower are completely dominated by the public authorities, both employer and worker are state employees or, as the case may be, dependents of the conqueror. Forced labor is one of the most appalling features of Hitler's control over Europe. When, during the World War, the Germans ordered the deportation to Germany of some thousands of Belgian and French men and women, and put them to work there, the world was unanimous in condemning this action in the most violent terms. Today forced labor is an official technique of Nazi labor policy, a system to which all conquered nations are subjected alike, the only difference being one of form. In the western countries the fiction of hiring labor freely is still upheld, whereas in Austria, Czechoslovakia and Poland the dog is called a dog. The practice of forced labor is the more outrageous as the skill of the deported workers is being made use of by the conqueror for speeding up his armament, the armament of the enemy. According to Czech reports unemployment is artificially created by wholesale dismissals of Czech workers and their replacement by German workers. For he who is unemployed may be deported.¹⁷ Labor policy interlocks here with colonization policy.

The open and veiled methods used for exploiting and looting the other economic resources of the conquered nations show the Nazis' remarkable inventiveness. The German "Journal of Warsaw" which, along with its Cracow edition, seems to be the only newspaper published in the Polish Government-General, proudly declared that in drafting the statute of the "Bank of Issue in Poland" all superstitions of bourgeois-liberal economics were discarded. These words could be used to describe the whole system of the "economics of force." The outright or veiled expropriation of

¹⁷ Central European Observer (London), new series no. 4, March 15, 1940.

¹⁸ Free Europe (London), vol. 2, no. 15, May 31, 1940.

¹⁹ See Frank Munk, *The Economics of Force* (New York 1940). The Polish Government Press Bureau reported the existence of a German four-year plan for the exploitation of Poland; see the *Economist*, October 26, 1940.

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landed and other property, including industrial and commercial enterprises, both of the state and of the citizens, from which the procedure of Aryanization differs only in label, is merely one of many devices employed. The devastation of Austrian and Polish forests is another example. The spoliation accomplished by shipping commodities of all kinds, particularly food-which are paid for, if at all, by adding another item to the ever-mounting clearing account between Germany and her victims-is no less impressive. The currency manipulations, both in the annexed and in the occupied countries, can hardly be understood by economists or criminologists, but strangely always turn out to the advantage of the conqueror. When individual looting comes into conflict with considerations of expediency it is put on the basis of a collective undertaking, authorized by law; thus Göring, after some weeks of "direct action," set up in Berlin a Central Trustee Department for Poland.20 It should be noted too that the conquered nations have to pay for the cost of maintaining the occupation armies, and that the Bohemian-Moravian Protectorate is required to contribute to the expenses of its "protection."

Whatever the Reich or, better, the Herren class which rules it, has gained by such a policy, the Germans have lost their reputation for administrative efficiency. Plundering is, after all, different from rational planning. All reports from the occupied and annexed countries agree that "order, counter-order and disorder," as a prominent Norwegian refugee has put it, paralyze the German administration in these countries.²¹ The conflicting tendencies among the representatives of the occupying power prove that they hold conflicting views as to the future organization of conquered Europe.²² It is therefore not so surprising that the "New Order" has hardly yet taken shape in reality. So far it consists mainly of words, intended to make the victims forget what they have lost by telling them what they are to gain. Apart from the

²⁰ The Economist, November 18, 1939.

²¹ New York Herald Tribune, January 11, 1941.

²² See Peter F. Drucker, "Germany's Plans for Europe" in Harper's Magazine (November 1940) pp. 597 ff.

countries which have been formally incorporated into the Reich, the much-heralded economic unification of the European continent has so far been begun only in the Netherlands, by abolishing all German import duties on goods originating in Holland and decreeing reciprocal measures on the Dutch side.²³

No less powerful than the means for controlling the political, economic and social systems of the conquered nations are the propaganda weapons which the victor commands for controlling the peoples' thinking and feeling. German radio propaganda has tried from the very beginning to present and interpret abroad current events in the terms of the respective national traditions and prejudices. Releases are being thus adapted for the radio audiences in the conquered countries. The leitmotif of these comments was strikingly exemplified in a speech by Goebbels at Prague on November 5, 1940. The British Island, he said, stands for Satan in its struggle against Germany and Italy, but now Britain has finally been expelled from Europe. Once before in history, said Dr. Goebbels, a great Germanic empire existed in the center of Europe, but it perished from inner strife, and the Europe in which Germany was the battlefield fell into the power of the British Island, the enemy of the continent. "This devilish principle of eternal discord in Europe the British hypocritically called the balance of power." It will not be enough, continued the speaker, to expel the British; the continent must be reorganized without frontiers, for frontiers spell division and dissension, and therefore Europe must live under the protection of the Reich with its strong army.24 But such propaganda is not the whole work to be done in order to shape mind and soul of the conquered nations. To achieve this end for good, the peoples have to be cut off from the past in which they have been rooted, by falsifying their history, debasing their religious and national traditions and undermining their political loyalties. Here too disruption is the main device used by the Herren class.

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²³ New York Times, December 19, 1940, and February 4, 1941.

²⁴ The Tablet (London), vol. 176, no. 5245, November 16, 1940.

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How far the application of all these methods of control has been effective in destroying the moral forces of resistance in the various conquered countries, it is impossible to appraise accurately. Such moral forces can assert themselves in present circumstances not by launching great actions which would find their way into the world press, but rather by holding the ground heroically in the small, daily affairs of a conquered nation. Enough information, however, is leaking out from those unhappy lands to assure us that even the most modern devices of oppression are not all-powerful. We may be equally sure that the new techniques of oppression produce new techniques of resistance, human nature being what it is.

The differential treatment to which Hitler has so far submitted the conquered nations of Europe proves that he himself does not consider the final victory already won. But let us not be mistaken, it does not prove more than that. "An intelligent victor will, whenever possible, present his demands to the vanquished in instalments," runs a famous passage in Mein Kampf.25 Nor should we forget that Hitler has so far hardly started to conquer what he is crying for most: land and soil for German settlers. Hippolyte Taine has pictured the Jacobin of the French Revolution as the man who, obsessed with an idée fixe, turns loose the chaotic forces of anarchism and despotism. The fixed idea of soil, more than that of blood, is Hitler's obsession. It is this obsession which accounts for his most ruthless acts against the Czechs and Poles, whose territory he desires, and for the horror of the ordered mass migrations all over Europe. And it is this obsession which will never let Hitler stop. For him frontiers are, to use his own words, "a seeming point of calm in a running development."26 But herein lies also a hope. For so far the world has always come back from chaos into order, the old, true, human order.

²⁵ Reynal and Hitchcock edition (New York 1939) p. 968.

²⁶ Ibid., p. 949.

THE PROSPECTS OF INFLATION

BY ALFRED KÄHLER

Present Sentiments

Great wars are usually not free of inflation, or to be more precise, of considerable price rises. Government expenditures grow too rapidly and too extensively to be covered by taxes or true loans. But the United States is entering her period of armament with great confidence. For years we have indulged in all the sins which are supposed to lead to inflation. We went off the gold standard and reduced our dollar overnight to "60 cents." We spent considerably above tax receipts. The national debt rose rapidly. The Federal Reserve banks bought government securities. The amount of money in circulation rose from 4.5 billion dollars in 1929 to 8.5 billion in 1941. Demand deposits increased from 23 to 35 billion dollars. In 1933 and 1937 we encouraged waves of wage increases. Finally, we have widely indulged in talk of possible inflation, and the creation of a psychology of inflation is sometimes regarded as likely to bring one on. Obviously, however, an inflation has not resulted, in spite of all these sins.

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No wonder that we now feel rather sure that the coming government expenditures also will be absorbed without great disturbance. This is about the sentiment of the budget message, which does not approve of "a tax policy which restricts general consumption as long as unused capacity is available, and as long as idle labor can be employed." We find the same idea in an article by John H. Williams on the defense program: "Against the background of the past ten years, it ought not to be necessary to stress the importance of avoiding undue or premature restrictive measures." Calvin B. Hoover titles an article "Guns

¹ The Budget of the United States Government for the Fiscal Year ending June 30, 1942 (1941) p. xii.

² John H. Williams, "Economic and Monetary Aspects of the Defense Program" in Federal Reserve Bulletin (February 1941) p. 95.

for the United States—and Butter, too," telling us that even Germany was able to solve the armament problem that way, at least until the outbreak of the war.³ A warning voice was raised by Eccles and the Federal Reserve Board, demanding power to eliminate excess reserves and other sources of new purchasing power. But the somewhat solemn "Special Report to the Congress" had no marked influence upon public sentiment.

The emphasis on increased production as a means of payment for increased armament is certainly very healthy. We would hardly understand if, under present conditions, not all sources of production were mobilized. But it would be a still greater thing if this mobilization could really be carried out with comparatively stable prices. In this respect we seem to be too optimistic. The friends of managed money and credit and of public spending should begin to figure very carefully. An estimated annual deficit of 9 billion dollars, plus 2 billion dollars of "uncovered" English buying, plus help to England of perhaps the same size, is a tremendous sum of spending. Neither the theory of public spending nor the development of the last years justifies the expectation that this can be carried through without marked price rises or commodity shortages unless exceptional measures are taken. To be convinced of this we need only recall the developments of our economy in 1936-37, when deficit spending rose to 4 billion dollars. If we are going far above this level now we should be prepared for a reaction of the economy far in excess of earlier experiences. Furthermore, we should not forget that we really have accumulated inflationary potentialities which must be dealt with or they will not remain mere potentialities.

Our confidence is based on our great reserves. Considerable stocks of agricultural raw materials should be a strong check on a rise in the prices of essential consumer goods. Idle plants plus unemployed workers should guarantee elasticity in the supply of manufactured products. But the role these unemployed resources can play in preventing price rises is generally too favor-

⁸ New York Times Magazine, February 16, 1941.

ably interpreted. Increases in employment mean increases in production and supply, but also increases in demand. Whether or not additional production will afford a surplus product that can be used for armaments without increasing the price pressure will depend upon wage and price conditions—upon the way in which accruing profits are used and upon the prevailing tax structure.

When Germany is cited in this connection her low wages, high taxes and complete channeling of all profits should also be mentioned. It is true that the United States is better off than Germany in many ways. She has more raw materials and a better capital outfit, and thus a greater productivity. But real wages are higher too, a fact which will necessarily have a counterbalancing effect.

Why Prices Rise

It may be in order to recall that prices do not rise like temperature. Prices are written up by men. If this is made a criminal offense and conspicuously punished, prices will not rise. We know that the totalitarian countries have proceeded along this principle, but we also know that such an enforced price stability does not mean that the problem of inflation is solved. If we continue to sell shoes for \$4 a pair, but have shoes for only half of the prospective buyers, the other half of the buyers will go without shoes but will also keep their purchasing power. Outlawing price rises does not exclude this hidden inflation, which might become even more disturbing than price rises. Stable prices are of great value only if at the same time the demand for commodities does not outrun the supply. This really is the problem-to keep the aggregate demand low enough that it does not exceed the commodity supply multiplied by its old price level. So far totalitarian countries have failed to show that this can be done by a single law.

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Nevertheless, adopting measures against the raising of prices and wages is a very necessary and fundamental instrument against

inflation, since price and wage rises are not only the result of inflation but also its cause. Both lead to an increase in the aggregate purchasing power, which in turn helps to pay for the higher price level—a circular process which has, in fact, operated in most of our periods of prosperity. At present, when our money and credit supply is almost unrestricted, an independent raising of wages and prices could reach enormous proportions. Our price level has probably never been so free from any monetary anchorage. It is true that this lifting of the price level requires some concurrent action, but record production and employment and a widespread sellers' market effectively favor such "conspiracies."

Of course the great threat to our price level today comes from "additional" buying, which might be defined as buying above current receipts. It is practiced by consumers when they engage in instalment buying, by businessmen when they engage in investment buying beyond current replacement, and by the government when it engages in deficit spending. Though the last of these is really the spring of our economic development today, investment buying especially will also have a great influence on developments in the near future.

It is still good theory to say that all additional buying must be reabsorbed by genuine savings if commodity shortages or price rises are not to have their way. How far this balance between spending and saving can be held or continuously restored will depend upon our defense needs as well as upon the growth of savings.

War Requirements and War Potentials

It is not very helpful at present to compute a total of theoretical war requirements. Ideally we would probably like to buy 30,000 airplanes within the next month, instead of the 1,000 which we are now sharing with England. At the same time we would need well above half a million trained men who could fly, service, repair and house these planes. We would need hangars, aircraft

carriers, bombs and so forth. We would like too to double our navy. And England alone is in need of more war supplies than we will produce this year. Our theoretical war requirements seem nearer to infinity than to our present rate of production.

Not much more helpful is a computation of an all-over war potential. The economic war potential equals the production above the necessities of life. One could even add some billion dollars for unreplaced wear and tear of the existing capital stock. The total would largely depend upon the minimum chosen for private consumption. The National Industrial Conference Board has estimated that this country's surplus production above an "efficient consumption minimum" amounts to about 18 billion dollars a year, assuming a national income of 75 billion.4 Incomes below \$1000 would not be reduced; the \$2000-\$2500 income groups would lose about 14 percent of their present consumption; the income groups between \$3000 and \$10,000 would lose about 35 percent; and the people earning above \$20,000 would have to reduce their consumption by about 58 percent of their present expenditures. This reduction in consumption, it must be understood, would have to take place in addition to present taxes and present savings. Of an income between \$15,000 and \$20,000 approximately \$5500 would be left for consumption.

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This war potential of 18 billion dollars would then be available in addition to normal government expenditures. The difficulties become obvious when we ask whether the refraining from consumption would be equal to the creation of war materials. The National Industrial Conference Board computes a reduction in rental expenditures, for instance, amounting to 1.7 billion dollars. The result of this saving would probably be nothing but empty house space, quickly deteriorating and causing nothing but losses. The cut in automobile expenditures, which should sum up to another 1.7 billion dollars, would probably be of more help. It would not be surprising if such a reduction in consumer

⁴ National Industrial Conference Board, Studies in the Economics of National Defense, No. 5, Consumption, Savings and Defense Financing (September 5, 1940).

buying would prove that the automobile industry can, after all, be used to a much greater extent in the production of armaments than is generally admitted today.

It should be kept in mind, however, that such over-all computations of war potentials make the problem appear too simple and too easy. This year's national income, for instance, can be assumed to run up to somewhere near 85 billion dollars. If we could take off 20 billion for armaments 65 billion would still be left, a national income which would afford us a standard of living about equal to that of 1936 or 1938. Yet if we wished to force up our armament production to such a level within this year, we would have to break up a considerable number of our manufacturing industries, causing a heavy reduction in efficiency and depriving private consumption of a far greater portion of manufactured goods than the computation of the aggregates indicates.

One way to get a better idea of the probable developments of the near future is to follow defense expenditures as planned by the government. Total defense appropriations and recommendations since June 1940 run as high as 32.2 billion dollars. This figure does not include English buying or help for England. Moreover, it must be assumed that new appropriations will be voted as the military developments continue, and probably always faster than old appropriations can be executed. As long as the war goes on, the pace of armament expenditures will therefore be set not by the appropriations but by the speed with which the armament contracts can be filled.

This speed is very hard to estimate. The airplane factories at the moment hold contracts for about 4,000 million dollars, while the monthly deliveries are so far hardly above 100 million. The shipbuilding program is a long-range program by nature. An official estimate of the accomplishment expected by the end of June 1942 can be taken from the budget estimate. Defense expenditures between January and June of this year are estimated to reach about 4.8 billion dollars, which would be a rate

of 800 million dollars a month. From the development of the defense expenditures in recent months it may be assumed that this average rate will have been reached and even exceeded by the time the new fiscal year begins.⁵

For the fiscal year 1942 the budget provides for 11 billion dollars of defense expenditures, which would mean a monthly rate of 900 million dollars. Judging from present developments, this estimate does not seem to exceed at all the possible rate of total "defense activity" for which the government will have to pay. It will probably not absorb our full capacity for armament production, and thus will leave room for some billion dollars of English buying and for some billion dollars of United States help to England. At present, too, English buying is carried on side by side with and in addition to our own defense expenditures. Of course not all of English buying is "inflationary," since it is partly paid for by actual commodity exports to this country. For 1941 British exports from this country are estimated to reach 3.5 billion dollars, with a balance of 2 billion not paid for by commodities.6 This would mean a total of 13 billion dollars, not including deliveries of war materials under the Lend-Lease bill. The President's budget message had already stated expressly that such help would have to be paid for in addition to the estimated 11 billion dollars of defense expenditures. Considering this it seems necessary to add a further 2 billion dollars.

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Some of this total of 15 billion dollars of defense expenditures will be paid for by tax revenues. The budget estimate for 1942 assumes that with defense expenditures of about 11 billion there will be a deficit of 9.2 billion dollars. Total revenues are assumed to increase to 9 billion dollars as compared with 6 billion two years earlier. Half of this increase in revenues is expected to come from the 1940 increases in tax rates, while the other 1.5 billion

⁸ Defense expenditures have developed as follows: September 1940, 219 million dollars; November 1940, 376 million; January 1941, 576 million; March 1941, 745 million.

^{6&}quot;Trade with the British Empire" in Federal Reserve Bulletin (January 1941) pp. 7-8.

dollars is expected to come from the increased national income. The 1939 national income was 70 billion dollars, while the 1941 income should reach about 85 billion; the budget estimate was probably based on an income not much in excess of 80 billion dollars, but since monthly income payments have already reached this rate, 85 billion seems to be more probable than 80 billion.

Assuming the deficit estimate of 9.2 billion to be correct, and adding to it about 2 billion dollars of English buying and another 2 billion for aid to Great Britain, we would have expenditures of 13 billion dollars more than the taxes levied against our purchasing power. In one way or another this 13 billion dollars will have to be compensated for.

The Three Ways of Financing

There are three ways of financing this 13 billion dollars worth of buying. We can reduce competing private buying by increasing taxes; we can obtain the same effect by borrowing current savings; or, without openly curtailing private buying, we can pay with additional money or credit.

As to taxes, we should remember that the social insurance taxes above current insurance disbursements are not included among available government revenues. Actually these funds are available and should therefore be treated in our problem either as available revenues or as automatically available savings. The surplus in the different insurance funds sums up to about a billion dollars which can be deducted from our total "deficit."

How far new taxes can be levied is largely a question of expediency. Our present taxes are high compared with pre-depression taxes; they are low compared with taxes in England or in Germany. There is no doubt that new taxes and higher tax rates would bring in considerably increased revenues. But the President's budget message sounded present sentiment in opposing prohibitive taxes and preferring increases in revenues coming from increases in income. There will be little disagreement on the tendency of this policy.

⁷ John H. Williams, op. cit., p. 95.

But the estimated receipts were already based on an increased income. Therefore, if the deficit is to be reduced, new taxes will indeed be necessary, and in fact the President has spoken of new progressive taxes.

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We should not forget, however, the general resistance to further tax increases this soon. High incomes are already taxed heavily. New taxes will have to hit the smaller incomes, and in this income group resistance is strong. J. M. Keynes' idea of deducting from the wage income a compulsory loan to be refunded in good times is certainly not lacking in brilliance. The political feasibility of this suggestion is another thing. Workers are badly needed in defense industries, and under these conditions we should be satisfied if increases in the wage rates can be prevented. For this the compulsory saving scheme might be feasible: instead of granting a wage raise one could grant non-negotiable bonuses redeemable some time in the future, thus diminishing the pressure for higher current wage earnings. But this measure too is doubtful. It may even be that real wages will have to be reduced, either by an increase in the cost of living or by rationing and shortages, and in this case there would be no promise of refunding. But in any case an outright reduction in money earnings is scarcely advisable. Economic policy obviously cannot always follow sound economic theory.

Some new taxes, of course, should be obtainable. If need be we could levy new taxes against those commodities whose production must be reduced because of defense requirements. At best, however, no more than 1.5 to 2 billion dollars in new taxes should be expected for the next year. Thus the savings in insurance accounts plus new taxes would still leave us with defense buying of at least 10 billion dollars above the current reduction in purchasing power.

How much of this 10 billion dollars can be paid for by voluntary savings will depend in part, of course, upon the extent of total savings. Unfortunately our savings statistics are still a matter of wide dispute. There is some agreement that net capital formation in 1929 amounted to about 10 billion dollars. The development

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thereafter is more doubtful. The National Industrial Conference Board thinks that savings in 1937 did not nearly reach the proportions of 1929.9 Simon Kuznets computes a net capital formation of 8.1 billion dollars for 1937, which compares with his estimate of 10 billion dollars for 1929.9 Half of the difference could be accounted for by a somewhat lower national income and by the difference in the price level, leaving actually only 1 billion difference traceable to higher taxation and a change in savings habits. Terborgh's figures on the production of durable goods come near Kuznets' estimates. The savings figure of the "Consumers' Expenditures" investigation of the National Resources Committee for 1935-36 indicates a savings rate even greater than Kuznets' computation. If therefore we follow Kuznets' estimates we should, for 1941-42, expect an annual savings rate of 8 to 10 billion dollars, taking into consideration the higher national income as well as the further increase in taxation. The upper limit of this estimate would come very near our total remaining defense "deficit."

These savings, however, would be available for defense expenditures only if we could avoid all private net capital expenditures, which will not be possible. Without regimentations and restrictions we should, in the coming year, witness not only a record buying by consumers but also a very high investment activity. This situation might seem to contradict recent experience. For years we have hoped for private investments, but without success. Why should we expect them now that we are not in need of them, at least as far as total business activity is concerned?

Investments fluctuate with business activity. This is true most of the time, but especially when business expands to a point near or above earlier production peaks. Such an expansion is occurring. Private investments are further favored now by the low investment activity of the past years, which left deficiencies in many fields. Even in 1940, without much pressure from the demand side, in-

⁸ The Conference Board Economic Record (March 22 and April 22, 1940).

⁹ Simon Kuznets, "Commodity Flow and Capital Formation in the Recent Recovery and Decline, 1932-38" in National Bureau of Economic Research, Bulletin 74 (June 25, 1939).

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vestment activity was relatively high. The utilities were in the market, and the buying of capital goods in mining and manufacturing industries was near the 1929 level. Residential building developed only slowly, reaching 2.4 billion dollars in 1940, as compared with 2.1 billion in 1939 and 3.2 billion in 1929. But residential construction contracts, as shown by the F. W. Dodge Corporation, are now running well above the 1929 average. Automobile production too, which absorbs some capital because of instalment buying, is developing well above earlier years.

From all this we can only conclude that private investment buying, if it has its liberty, will be the highest since 1929 and will absorb from voluntary savings as much as and more than it has in any year since 1929. That would leave the government no more than 2 to 3 billion dollars. Again accepting the higher limit, we would still have about 7 billion dollars of defense buying not neutralized by voluntary savings.

As a last means of payment we have newly created loan money. Its use is cherished and it is hoped that it will lead us to a mobilization of our unemployed reserves which will help us to reach the 85 billion dollars national income on which our computations rest. There is great truth in this argument which only deserves to be spread. But additional buying is also the road to inflation, and the question remains how far 7 billion dollars buying in excess of voluntary savings will take us. It is even doubtful whether the theory of public spending has ever recommended an amount of spending that could not be neutralized by resulting savings. The illumination of this point requires some theorizing which I hope the reader will excuse.

Since additional buying is buying without supplying the market with commodities, its first result is a reduction in the commodity stocks on hand. If the sellers are not eager to restock, the effects of the spending will have come to an end: the additional buying will be neutralized not by true savings but by liquidation of inventories. Since total inventories in our economy amount to well above 20 billion dollars, and since in 1937, for instance, we added

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4 billion dollars to our inventories within one year, we should be able to liquidate several billion dollars of inventories within one year without serious disturbances. But a liquidation of 7 billion dollars within one year could not, of course, be expected. Moreover, in periods of increasing economic activity business will generally try to restock or even to increase inventories. Only holders of excessive inventories might welcome a lowering in their stocks and keep the money on deposit.

Restocking attempts lead to higher orders at the factories and to increased employment and production. It is this increase in production from which we usually expect inventories to be filled up again, permitting the government to go on with its additional buying without fear of inflation. This reasoning, however, holds only if the additional production leads to savings large enough to compensate within due time for the additional spending. Without any such compensating savings each dollar of additional production creates one dollar additional purchasing power which will buy the new products as fast as they are produced. Restocking can then not take place. As government buying proceeded more commodities would be taken from the market, continuously shifting the supply and demand situation toward an excessive demand. It is true that the growing discrepancy would continue to press for a growth in production, but the excessive purchasing power could not be neutralized.

Actual developments, as we expect them, will be somewhat different. A part of the new income and of all income in the economy is saved. Another part is taxed away. Therefore not each dollar increase in production will be accompanied by a dollar increase in consumption. The increase in production will leave a "surplus" product, which can be used either for armament or for investment. If our economy expanded rapidly and far enough within the period under consideration, this "surplus" product would become sufficient to pay for the expected armament and investment expenditures.

We are assuming that the national income will grow from 75

billion dollars in 1940 to 85 billion in 1941. This is generally held to be an optimistic estimate, but it seems justified, because demand will outrun production in an increasing number of industries, making for an expansion more rapid than in earlier years. One could even ask why production and the national income should not grow still faster if demand is excessive. The answer rests on the elasticity of supply, which obviously depends upon many factors. There may be a deficiency in plant or equipment, in skilled or unskilled labor, in engineering, in supervision or in raw materials. It may be that trade union rules have a retarding influence, or that entrepreneurs do not press hard for an exceptionally rapid increase in production, since they believe that the increasing backlog of orders is only temporary. It also may be that planning or borrowing is necessary—and everything takes time. As long as there is still any unemployment in the United States one could call these bottleneck delays. But whatever they are called the fact remains that the rate of increase in production and national income is confronted with certain limits. And if our national income does not exceed 85 billion dollars this year it is obvious that the "surplus" product available for armaments will also stay within certain limits.

The new tax receipts have already been accounted for in our estimates of next year's revenues, and deducted from the uncovered deficit.

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The total of accruing savings we have estimated at 10 billion dollars. Again, 3 billion of this 10 billion dollars we have already conceded as available for defense expenditures, still leaving 7 billion dollars of uncovered defense buying. Actually there will be another 7 billion dollars of true savings. Such an amount of money, however, will probably be spent by private business for net capital investments. If the government nevertheless borrows and spends another 7 billion, the demand and supply situation will be about as bad as in the case of no savings, although the existence of savings will undoubtedly afford certain advantages. The presence of savings makes it possible to choose between cur-

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tailing consumption and curtailing investment buying, and investment buying can be better controlled than consumers' purchasing power. Further, if under these conditions consumption can be held down to any extent, this will immediately allow for a corresponding net capital investment. This will be practically a necessity. The shift of our industries toward defense production and the increase in total production will require considerable investment in many fields.

Investment buying, if not restricted, could of course compete with all other buying and, if price offers were allowed to rule the distribution of commodities, easily secure its share. But this share will have to be taken from somewhere. If defense buying has priority it obviously must be private buying that is to be depressed below the "propensity" to consume and to invest. Since 7 billion dollars is not a small sum of floating purchasing power, the pressure for an upward adjustment of prices would become considerable. If a wave of wage increases should develop in addition, one could only be surprised if prices did not start to move upward. The 50 percent increase in England's wholesale price index may be a warning, although the United States economy is in a much stronger position.

Germany went to the extreme in her curtailments of private buying. She not only outlawed the raising of prices but also froze all wage rates at the depression level, which had been very low. The oppressive tax rates of 1932, which had afforded the republic a balanced budget in spite of great unemployment, were increased further. The revenues of the Reich rose from 6.6 billion marks in 1932 to about 17.7 billion in 1938. Annual relief expenditures in the same period were reduced by about 3 billion marks, while the revenues of the social insurance systems increased. Savings were fostered by all available voluntary and compulsory means, and the total capital supply was channeled completely to serve the higher wisdom of armament expenditures. The restrictive measures were supplemented by a vigorous policy of increasing production. In spite of all this deflation, inflation had advanced con-

siderably before the war began, because military expenditures went to even greater extremes than all the deflationary decrees.

In Conclusion

Our planned defense expenditures for the next twelve months are formidable. They will probably not be reached if the war developments do not further increase the need for speed—though this must be expected. But the expenditures, however formidable, may yet fail really to upset our "standard of living." This does not exclude the fact that they may seriously disturb the demand and supply situation and press for an upward adjustment of prices.

We have estimated that the tax rates on 1941 income will be raised by 1.5 to 2 billion dollars above present rates. Even so, if we do not develop other devices for reducing consumption this year's consumption will exceed last year's. This would necessitate keeping private investment buying to mere depreciation replacements, and this solution is not practicable. The shift toward the desired armament production and the expansion of total economic activity will require considerable investment buying. Consumption will therefore have to suffer further curtailments. Since our total commodity "shortage" will amount, presumably, to 7 billion dollars, investment buying and consumption might each be curtailed purposely by 2.5 billion dollars, leaving the remaining 2 billion dollars to be financed by unneutralized spending. Economic development would then decide who would be left with such an amount of unsatisfied purchasing power. It would increase the pressure for an upward revision in the price level, but we have negotiated and regulated prices in the armament industries and we might extend this method to keep other prices down also. More critical would be an increase in wage rates. This would further increase the excessive demand and at the same time give sufficient excuses to start the upward movement of prices. Since wages cannot, for political reasons, be completely frozen, other restrictive measures will become the more important.

For the control of private investment buying the Federal Re-

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serve Board suggests a reduction in the credit supply. The government would lose its right to issue greenbacks and silver certificates and the banks would be limited in their lending power by the elimination of their excess reserves. Although this would end the present fantastic lending power of the banks, it still would not mean that investment buying plus government spending could be held to the level of aggregate savings. Such a result would require outright "100 percent money" plus the elimination of all privately held "excess reserves." More important, this plan would still leave the distribution and rationing of the available capital supply undecided. It almost seems that the Federal Reserve Board wants this entrusted to the interest rate. But how high would the government have to bid to lure investment funds away from private business, especially when we have a commodity shortage?

Since the government has given up price bidding in all other fields, and has strengthened its position with the priority right, we cannot believe that it would refrain from extending this principle to the capital market, where it can stand price rises least. But if we need direct restrictions on private borrowing anyhow, why should the government agree to make loanable funds that scarce?

The Federal Reserve Board, of course, cannot curb private borrowing unless the lending capacity of the banks is lowered to permissible limits, or it obtains other powers. Developments seem to indicate that the problem will not be solved from this side at all. If defense buying has to be served first and at negotiated prices, investment buying for defense purposes must also be served first and at regulated prices. The remaining investment goods will be available for civil investments, and very likely at conservative prices. Where these investment goods are plentiful, the buyers may borrow and buy abundantly. In other fields buyers will have to wait for their investment goods and then borrow as they are served. Should a public interest arise, priorities will be extended beyond the armament industries. Theoretically this may not be so ideal a solution as a limitation of buying through a high interest rate, but it will probably be the one preferred. The method has

also some advantages. Unsatisfied purchasing power will be a continuous stimulus for increasing production. If in some fields production cannot quickly expand because of defense requirements, this should be no reason to limit the expansion of all industries, even though their means of production cannot be used for other purposes. Since the restriction in investment buying need not necessarily encroach upon replacement buying, consumers might not suffer from the delays in investment goods for some time to come.

The reduction in consumer buying could probably be reached by some campaign for increased savings plus a suitable tax policy and considerable restrictions in instalment sales, such as Rolf Nugent has suggested in detail. Again, a curtailment in aggregate purchases alone will not serve the purpose very well. The savings will have to be achieved mainly in the fields of manufactured products. One could follow the same method as in the capital goods market. Defense buying has priority, and the rest will be sold to those who come first. This method would at least not involve too early curtailments, leaving available resources unemployed. It also allows for the expansion of consumption into fields where the surplus situation will accompany us for a good while.

But consumers' waiting is disturbing and the prices for consumer goods are difficult to control. One can therefore only hope that we shall plan in advance. We shall always have some choice in drafting the means of production and some advance knowledge of which commodities will become scarce. If we then apply particular restrictions, whether we levy special excise taxes or abandon instalment sales in these commodities or eventually resort to specific price rises, the problem of this early and "partial" inflation may be solved most efficiently. As shortages spread to an increasing number of commodities, the all-over curtailment of purchasing power becomes, of course, increasingly imperative.

¹⁰ Rolf Nugent, Memorandum on Control of Private Consumption in Time of War (October 1940).

WHITHER JAPAN?

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BY KURT BLOCH

It is now nearly four hundred years since Japan first became known to the western world directly, and not by hearsay only, and in turn became acquainted with western civilization. Yet, curiously enough, the first hundred years of Japanese-occidental contact are largely forgotten in the west. In Japan, on the other hand, even the language still retains the impress of the Portuguese influence,1 which was the first to make itself felt, the Portuguese being followed soon by the Spaniards, the Dutch and the British. The first hundred years of Japanese-western contact ended with the seclusion of Japan in the first half of the seventeenth century, a seclusion adopted by the Tokugawa shogunate early in its history as a means of preserving its power. But that first century of Japanese-western contact has probably made a deeper impression upon Japan's historical tradition and present policies than the ninety years which have passed since Admiral Perry's "Black Ships" became the first western forces to end Japan's two centuries of seclusion.

There is now but little more than another decade before the end of the second century of Japanese-western contact, and the unbiased foreign observer who is willing to learn the lessons of history cannot afford to overlook the strong tendencies which are now at work, not—as is generally assumed within and without Japan—to establish the island empire of the Far East as one of the great world powers of the twentieth century, but to throw Japan back into another seclusion. This is not meant to be a prophecy.² But it is set forth as a plausible possibility, based

¹ See G. B. Sansom, Japan. A Cultural History (London 1931) p. 426.

² Readers may make what they will of the fact that the very possibility of such a development seems fantastic to most of the author's friends who have made a special study of Japan.

on a conviction that in following contemporary Japanese developments it is necessary to observe their sequence and to discard false and misleading western analogies and idle catchwords. Given the impasse to which she has now been brought, seclusion does not seem to be the most unlikely or the most impossible way out for Japan.³

What the west offered the Japanese in the sixteenth century was principally—though not exclusively—religious doctrines and military achievements.4 Japan rejected the religious doctrines and, in the seventeenth century, staged a violent and bloody persecution of Christians and Christianity. She tried, however, to appropriate the new weapons brought from across the oceans. Thus the west's main lasting contribution to Japan's modern history was the introduction of firearms and the lessons of their manufacture. Even the harquebus and musket of the west, as developed in the fifteenth and sixteenth centuries, were enough of an advance in military technique to effect revolutionary changes in Japan. Oda Nobunaga and Toyotomi Hideyoshi unified Japan in the latter half of the sixteenth century not with fire and sword but with fire, muskets and cannon. They destroyed the last vestiges of the Ashikaga shogunate⁵ and, as warlords of Japan, exercised political power on behalf of the semi-divine Emperor; the latter was transformed from a mere symbol of national unity into an important political figure, despite the delegation of all his nominal power to the newly-risen military masters of Japan. With these developments was brought to an end a period of over two hundred years of feudal and mostly

³ All descriptions of Japanese developments as "fascist," "totalitarian" and the like seem scarcely appropriate.

⁴ For information on Japanese history the reader is referred to Sansom's book, cited above, and to Y. S. Kuno, *Japanese Expansion on the Continent*, 2 vols. (Berkeley, 1937, 1940).

⁵ The Japanese shogunate was of an hereditary character, only descendants of the Minamoto being eligible for office. Such descent was claimed by the Tokugawa clan. Oda Nobunaga and Toyotomi Hideyoshi, being of lower rank and birth, did not aspire to the shogunate, although they exercised power far exceeding that of the last Ashikaga shoguns.

petty warfare which had brought Japan to the verge of ruin, the west supplying the means by which parvenus could consolidate power over reunited Japan.

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Scarcely had domestic consolidation been achieved before Japan's old imperial dreams6 began to revive. Toward the end of the sixteenth century Toyotomi Hideyoshi embarked upon his Korean expedition, one of the most cruel and unprovoked wars that the world has ever witnessed.7 Japanese troops landed on the shores of Korea and, carrying muskets made according to western patterns, cut deep into that kingdom, dispersing its regular armies. While Chinese forces were moving slowly and ineffectually to relieve the plight of Korea, then a vassal state of the Ming empire, the people of Korea rose against the Japanese invaders and their ruthless depredations, embarking upon a campaign of guerilla warfare behind the Japanese front lines. This warfare lasted until the last Japanese soldier had left Korea, nearly a decade after the beginning of the expedition. The effectiveness of the guerilla warfare was greatly increased by Korean naval successes. A Korean fleet, with ships built according to western advice, impaired the continuous supply of provisions, equipment and reinforcements for the advanced Japanese forces. Hideyoshi, in a curious game of diplomatic intrigue with the Chinese court and the Korean royal family, tried to secure at least some ultimate gains from this campaign, but his death and the ensuing civil war in Japan resulted in a complete Japanese withdrawal from the Asiatic mainland.

With the dream of a great Japanese empire on the Asiatic continent shattered, Hideyoshi's heirs, the Tokugawa shoguns, tried their hand at "southward expansion," attempting first to develop Japanese shipping and foreign trade, especially with the Philippines and Latin America. To facilitate this development, some tolerance—though not too enthusiastic—was extended to Catholics. The expectations of the Tokugawa were not realized,

⁶ For these traditions see Kuno, passim, and also Sansom, both cited above.

⁷ This is the judgment of Kuno, op. cit., vol. 1, p. 175.

however, and Dutch advisers warned the Tokugawa against the imperial ambitions of Spain.

Japan's imperial ambitions having thus been frustrated in both directions which seemed attractive at that time, Iyeyasu Tokugawa, the first of the Tokugawa shoguns, and his successors turned the wrath of their disappointed and impoverished people against the foreign newcomers. Japan organized the most brutal anti-Christian persecutions of modern times. Ultimately nothing was left of Japan's intercourse with the west but the knowledge of firearms, considerable progress in architectural ability, especially as applied to fortifications built to withstand sixteenth century artillery, some newly-introduced agricultural crops, relics of foreign words for such crops, a few articles of manufacture introduced by the west, and a Dutch trading station on a small artificial island of little commercial but great political importance. It was this Dutch trading station which functioned thereafter as a Japanese foreign intelligence service, reporting to the shoguns about the happenings in the world outside the closed doors of Japan.8

During the first half century of seclusion Japan recovered from the losses suffered through the Korean expedition and the civil wars which had led to the stabilization of the Tokugawa regime. From 1700 to 1850, however, Tokugawa Japan became an outstanding illustration of the truth of Malthus' later theoretical exposition of what must happen to populations limited to a definite area of arable land, cultivated with technically stable methods, with no foreign trade, no emigration and no importation of capital. For one and a half centuries Japan's population was stable; famine, pestilence and misgovernment combined to keep its number down to the level of about 30 million people.9

In this period Japan developed a curious ideology, completely

⁸ During the French revolutionary wars, when the Netherlands was overrun by French forces, the little island of Deshima was for a while the only place in the world where the Dutch flag had not been replaced by foreign symbols.

⁹ Japan in the eighteenth century contained more inhabitants than France, the largest European nation.

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in contradiction to the realities of Japanese life. The country was organized in a military way, although it was at peace for more than two hundred years. A feudal ideology of "bushido" was fostered, with scarcely a counterpart in actual life. The popular stage glorified a man like Coxinga, Chinese rebel pirate who ousted the Dutch from Formosa, although Japan had scrapped her fleet and prohibited piracy, once a flourishing Japanese business. An idle warrior class practiced all the vices and few of the virtues of the military life. The consciousness of a continuous national history was lost to such an extent that in the eighteenth century the shoguns could patronize historians who demonstrated to their patrons' satisfaction that the imperial family was a foreign dynasty transplanted from China; at the same time it was held that, since Iyeyasu Tokugawa was really the incarnation of a god, the Tokugawa shoguns could claim divine origin.

This era would offer a fruitful subject for psychologists, for scarcely any other nation has ever passed through such a long period of curious self-deceptions and ideological distortions as Tokugawa Japan. Unfortunately it is this very period—possibly the period of Japan's deepest humiliation—from which have been derived in recent years those allegedly Japanese traditions that are being preached and practiced by persons close to the Japanese government. The famous "bushido," for example, made its first appearance as late as the eighteenth century.¹⁰

Defeated and fearful, the Tokugawa shoguns enclosed themselves within their shores, hoping against hope that Japan might remain their private domain unaffected by the great invasion of Asia by the west which was faithfully reported to them by their Dutch spy friends. But in the first half of the nineteenth century official and, to a minor extent, private Russian seafaring adventurers sailed close to the coasts and ports of Japan. In the 1850's Japan was forced to end her seclusion, and shortly after-

¹⁰ In the above summary of Japan's history from the early contact with the west to the reopening, a century ago, abbreviation seems, on rereading, to have resulted in a caricature. This, however, is the fault of the subject rather than of the author.

ward the self-destructive feudal system of the Tokugawa period was liquidated by the Meiji Restoration.

Once more the west brought Japan new technical methods of peaceful and warlike production and a new "religion," the liberalism of the Victorian period. Both were readily accepted by the upper crust of Japanese society, and the organization of sizable military forces was one of the first steps after the reorganization of Japanese domestic life. It ended, so far as the establishment of undisputed centralized power was concerned, with the successful suppression of the Satsuma rebellion (1877).

And-scarcely had domestic consolidation been achieved before old imperial dreams began to revive. After the Sino-Japanese war of 1894-95 the Anglo-Japanese alliance enabled Japan to realize part of her dreams. When this alliance ended in 1922, largely because of American pressure, there followed a short decade of natural disaster (the Tokyo earthquake of 1923), reconstruction and international prosperity, and during this time there was a liberalization of Japanese political life which seemed to bring Japan into line with western society. The economic basis for this development was the rapid expansion of the American silk market. By 1929 raw silk formed 40 percent of Japanese exports, and the surplus achieved through sales of raw silk in the American market enabled Japan to purchase abroad the raw materials and finished products which, in addition to Japanese domestic production, were required for a gradually improving standard of living. Basically Japan became a monocultural country, raw silk being the center around which her economic life functioned.

The great depression destroyed the economic basis of Japanese liberalism. The sharp decline in the volume and value of American silk consumption, the virtual end of international lending and the European destruction of the international gold standard combined to undermine the new Japanese polity.

Japanese "liberalism"—like most liberalism during this period—tried to meet the peculiar effects of the depression with a policy of orthodox deflation. Early in 1930 Japan returned to a

full-fledged gold standard, including even renewed gold coinage, thus increasing the severe incidence of the depression. At the same time the depression was causing catastrophic developments within the country. Japanese agriculture found itself with the same combination of fixed debt burden and declining prices that was general throughout the agricultural countries of the world. By the summer of 1931 it was evident from developments on the European continent that great nations were trying to remodel their financial systems in a way incompatible with the tradition of the nineteenth century. In September 1931 Great Britain abandoned the gold standard, and the backers of Japan's liberal deflation policy were discredited.

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Meanwhile, however, Japan was faced with a revolutionary change in China. The great Chinese national revolution of 1925-27 seemed to endanger Japan's security, at least potentially, for this security depended upon the relative defenselessness of continental eastern Asia. At the same time the first Five-Year Plan of the Soviet Union, based to a considerable extent upon German support in the form of relatively large loans for capital equipment, opened up the prospect of a greatly strengthened and none too friendly neighbor. Not immediately but in a not too distant future Japan's position as a great power seemed threatened.

While Japan's imperial expansion during the last fifty years may seem from the outside a continuous process of ruthless conquest, it seems necessary to appreciate these changes of the 1920's —economic, social and political—in order to understand why the Japanese military began to move ahead particularly in 1931. Domestic discontent, well-founded in objective conditions, relative impotence of the current civilian government in face of the problems created by the international depression, serious potential danger abroad—all these factors combined to make a project attractive which had always been in the minds of Japanese army leaders: to detach the political and economic control of Manchuria from that of the rest of China, not only in substance but also in definite political forms.

The substantial separation of Manchuria from the rest of China had been one of the major results of the Russo-Japanese war of 1904-05, and legalistic discussions should not obscure the fact that though the warlord of Manchuria, Chang Tso-lin, reserved his right to interfere in China, the contemporary Chinese governments did not in general consider interference in Manchuria as within their sphere of actual power and influence. When the new Kuomintang government, under the leadership of Chiang Kai-shek, succeeded in establishing a degree of political consolidation in China, the Japanese military made its first attempt, by the murder of Chang Tso-lin, to prevent the inclusion of Manchuria in the new body politic which was rapidly developing in China. This shocking manoeuvre was met successfully, however, by Chang Tso-lin's heir and successor, Chang Hsueh-liang, and by Japanese domestic opposition. Japan's first plan to secure permanent control over Manchuria was nipped in the bud.

The second scheme succeeded in 1931. In Manchuria Japanese intrigue succeeded in reconciling most of the ruling military authorities with the idea of Japanese occupation, while in Japan the declining prestige of civilian government, undermined principally by the silk market debacle, was insufficient to halt the military. Thus the latter, at little expense of money and blood, achieved a major success on the mainland. The international reaction to the Manchuria incident was strong enough to force Japan into a new way of national and economic life, yet too weak to counteract the deep impression made in Japan by successful military aggression.

Having lost all hope of future international economic cooperation, as a result of the Manchuria coup, Japan's financial authorities drew the consequences in their policies, three months after the Mukden incident. Japan abandoned the gold standard and reduced the sterling value of the new paper yen to 60 percent of the parity which had formerly prevailed between the gold yen and the gold pound. On the basis of this sharp undervaluation of the Japanese currency a period of reflation was ushered in; na

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export markets were rapidly conquered and the prices of imported semi-manufactured and manufactured goods rose so sharply that their domestic production became profitable.¹¹

As so often, the social-economic process thus initiated carried the seeds of its own defeat. The surplus population problem¹² was solved by a tremendous flow of employable labor from country to city,13 and within five years Japan found abroad numerous successful substitute markets for her previous monocultural dependence on raw silk exports. By 1934, however, the capital resources set free by the depression had been largely reemployed; and by the end of 1935 the combined demands made upon normal Japanese savings by the military establishment and by the expanding business enterprises reached a peak at which either the one or the other had to restrict its investment, or inflation had to be utilized to mobilize Japan's slender surplus resources for the ends of both. With the February Mutiny of 1936 Japan made her decision for the latter course. At the insistence of the military, which, it seems, selected the new Minister of Finance, Japan was launched upon the sea of inflation. At the same time the military influenced the new cabinet to endorse vastly increased Japanese capital investment in Manchuria and to promise national control of the electric power supply.

The "reflation" period had had its effects not only upon Japanese capital equipment, however, but also upon the labor supply. Early in 1937 Japan suddenly awoke to a paradoxical situation. Having been described as a country typical of "overpopulation"—whatever this may be taken to mean—she was now faced with

¹¹ G. C. Allen, in *Japan: The Hungry Guest* (New York 1938) and in other publications, tends to minimize the effects of the undervaluation of the yen, with unconvincing arguments. E. B. Schumpeter, in *The Industrialization of Japan and Manchoukuo* (New York 1940), is uncertain in her judgment and seems to overestimate the importance of "pump priming" by Japanese rearmament.

¹² This problem was created not by the "natural" progress of the birth rate—as propagandists and some economists used to contend—but by the raw silk slump and its effects upon agricultural income.

¹³ From 1930 to 1935 the aggregate population of cities with more than 100,000 inhabitants increased by 6 million, while the population of the country as a whole increased by only 4.8 million.

a labor shortage. The industrial cities' labor demand had already begun to affect the rural labor market: since 1932 the number of farms had been slowly declining, a development wrongly interpreted in Japan as merely a symptom of the agricultural depression. But in 1936-37 the improving silk market of the international "recovery" period sufficed to reduce the flow of labor, and instead of enjoying a continuous pressure of agricultural migrants upon the industrial wage level Japan's manufacturers were forced to pay higher wages. As industrial expansion in the reflation years had absorbed annually about twice the natural accretion to the labor supply, Japan's further economic development was obviously bound to clash with economic limitations following from her lack, not of raw materials, but of labor.

This physical labor shortage was the more serious as Japanese technology and science were unable to supply the means to effect a process of mechanization and to utilize labor-saving devices which in western nations have always sufficed to supplement the naturally limited resources of physical labor. Japanese "liberalism" had gone little more deeply below the surface of Japanese mentality than had Japanese Catholicism in the sixteenth and seventeenth centuries. The result had been a severe neglect of educational facilities. Japan boasts, officially, of a very high degree of literacy, but actually the average Japanese school child, after six years of schooling, although supposed to have learned 1,500 words for reading and writing, knows little more than half of that, and there are grounds for assuming that many of them, in later years, forget a very large portion of what they have learned. Moreover, the necessity for research and scientific training has been little understood either by Japanese officialdom or by Japanese industry.

Foreign observers are generally inclined to disparage the Japanese as imitative or unoriginal, and to ascribe this condition to their racial character. Actually, however, imitation and lack of originality are simply the results of an attitude cultivated in Japan in general, in accordance with tradition. It is true that

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there is probably little justification for any such generalizations about the Japanese national character, but the facts which underlie them, and are derived from observation, do not seem to be subject to reasonable doubt. On the surface Japan was able to master the manufacturing processes of the west; in reality, however, these processes, with few exceptions, were simply transferred to Japan, without the realization that in the long run the development of a modern economy requires what Werner Sombart and Max Weber liked to call a suitable *Wirtschaftsgesinnung* (economic mentality).

Accordingly, early in the 1930's, when the market processes loosened by the undervaluation of the yen fostered a great industrial boom, Japan's educational institutions began to fall far short of demand in their output of trained technicians. This shortage of skilled and highly skilled labor, aggravating the general labor shortage, was evidence of, and penalty for, what may properly be called Japan's backwardness.¹⁴

The economic processes which, in the early 1930's, had shifted a large proportion of Japan's population from their rural homes to the urban industrial centers resulted in grave political repercussions. In the first half of 1937 Japan lived through a continuous domestic crisis, having its roots in the contradictory social situation. Military policies, successful during and because of the depression which ushered in the thirties, were unpopular under the new boom conditions, especially among the masses of urban labor. In the summer of 1937 Japan's domestic situation had reached a point where, even without foreign complications, nothing short of a cabinet of national concentration, under the leadership of Prince Konoye, 15 could prevent a grave constitutional crisis.

¹⁴ The above discussion of the Japanese labor problem has seemed especially desirable since, curiously enough, E. B. Schumpeter, *op. cit.*, does not find it necessary to devote any attention to Japan's labor supply, in a book of 972 pages which describes itself as a discussion of Japan's industrialization.

¹⁵ Such leadership has special implications for the Japanese. The Konoyes were "Supreme Advisers" to the Imperial Court throughout the Tokugawa shogunate, and the present head of the house of Konoye, as Prime Minister, therefore symbolizes imperial confidence to an unusual degree.

This crisis was ultimately forestalled, when the army struck in North China. While the Manchuria incident may be described as the leaders of the Japanese army crossing the Rubicon, with the rule of Japan as the prize, the North China incident was a means of retaining the fruits of the earlier victory, endangered by the very shifts in the Japanese domestic scene which had followed from the original success of the army.

But again military policies proved a boomerang. Contrary to all Japanese expectations the China campaign, conceived as a rapid repetition of the Manchurian manoeuvres in North China, developed into a major war, and the prewar domestic policies of the Japanese army now served to undermine the efficiency of its military effort. Outstanding among the Manchurian investment plans had been schemes for increasing the Manchurian coal output. Growing coal surpluses were expected to be put at the disposal of Japan. Accordingly, Japanese collieries were cautious about investing for the satisfaction of future coal needs which were presumably to be supplied by the Manchurian coal mines. No wonder that, one year after the outbreak of Sino-Japanese hostilities, Japan began to suffer from a chronic coal shortage. And this shortage was unrelieved by Manchurian supplies, principally because, under the influence of the Japanese army, the Manchuria Coal Mining Company had been put in the charge of an ex-colonel who was probably still less able than might have been hoped, and who could not be dislodged before the fall of 1940.

Nationalization of electric power had originally been advocated by the Japanese army in the midst of the depression, in order to curb what was alleged to be a speculative overdevelopment of Japan's power capacities. The private electric utilities employed their political influence to prevent the government schemes from being endorsed by the Japanese Diet, and the government penalized them by withholding permits for the private development of Japan's water power resources. Accordingly, a halt was called in the continuous development of Japan's power supply. Three years of electric power development were nearly completely lost.

Thus when Japan was started toward a drawn-out war Japanese industries were suffering from a labor shortage, from a lack of skilled men in general,16 from an underdevelopment of the available coal and power resources, and from an inflationary process which was beginning to disturb the equilibrium between Japanese costs and foreign prices. Mobilization of a growing army and emigration of Japanese civilians to Manchuria, China and Korea were the means best suited to aggravate all of these conditions. It is not surprising, therefore, that from the very start of the war Japanese production began to decline. This decline has continued ever since, though naturally what statistical evidence has been made available tends to minimize the decline. Diversion of manpower from agriculture has served to reduce agricultural production. Ships pressed into military service have ceased to be employed on profitable overseas service. Small-scale artisan production has been sharply curtailed by officially decreed lack of raw materials. All such developments are obliterated in a Japanese index of production, covering a few staple manufacturing and mining products,17 which is generally being employed as a measuring standard for Japanese total production. Further to conceal the actual decay of Japanese economic life, monetary inflation is employed to swell the nominal value of all data, so that the "national income," 18 so-called foreign trade and the like show a continuous growth, contrasting with the sad reality which they hide rather than illustrate. Since the fall of 1939, however, even the index of manufacturing and mining production has begun to decline, and it seems safe to expect this decline to continue, at least as long as the present external conditions prevail.

¹⁰ In 1940 a Japanese journal estimated the prewar shortage of skilled labor at no less than 100,000. As of 1940 it would seem safe to double or treble this figure, especially since skilled labor was not exempted from the military draft.

¹⁷ This index measures coal output in tons, although various economic and technical factors have served sharply to reduce the caloric value of the coal actually produced.

¹⁸ Schumpeter, op. cit., p. 16, cites data on the national income without sufficiently cautioning the reader, presumably because a second volume is to deal with Japanese financial problems.

Meanwhile, in China, Hideyoshi's Korean experience is being largely duplicated. While the Japanese conquerors have moved rapidly ahead, a levée en masse, the Chinese guerillas, has risen to fight the invaders behind their advancing lines. A war which was undertaken to gain a quick and glorious victory has bogged down, with losses in manpower and equipment which continuously sap Japan's strength. Although there has been no Chinese fleet to repeat the feats of the Koreans, its place is now largely taken by the United States' gradual stoppage of most of the vital war supplies on which Japan formerly depended, confident that popular agitation for sanctions against her could never succeed, and unaware that a new American defense program would absorb resources which, as little as a year ago, seemed to be available in inexhaustible abundance.

It was against this background that Japan's foreign policies were conceived, as a means of securing foreign acquiescence and assistance in her efforts at continental expansion. This was the economic purpose of the original German-Japanese agreement of 1936, which fitted in with slowly developing plans for German participation, through loans and barter arrangements, in the development of Manchuria and North China.

With the signing of the Soviet-Nazi agreement of August 1939 Japan suddenly found herself alone, and she tried to accommodate the United States just enough to change the American attitude toward Japanese aggression. In that Japanese diplomacy failed, although it succeeded in preserving for Japan the enjoyment of most-favored-nation treatment in the American market, and in delaying the adoption of hurtful export embargoes until the fall of 1940.

When Germany conquered France, Japan joined the Axis bandwagon once more, hoping now to share in the fruits of Germany's military successes in the form of so-called "southward expansion." The historic Hideyoshi-Tokugawa scheme is duplicated once more. Frustration in China is followed by a political-commercial scheme in the South Seas, again to be facilitated by

tolerance toward a western ideology—this time not the western religion of Catholicism but the new continental fashion of totalitarianism, copied as faithfully as possible in Japan's "New Structure," which contains so many "partitions and doors," to quote a friend of Prince Konoye's, that its elasticity in practical use is still enormous.

Meanwhile, however, the South Seas have been preparing for Japan, for a period of nearly four years. Japan, having passed the peak of her rearmament yield, is now aggressively approaching an area vaster in size and in manpower than Japan itself, with most of its governments now reaping the first fruits of the rearmament efforts begun late in 1937, in the face of Japanese continental aggression, and still busily engaged in stepping up their present defense efforts. Moreover, this southward area is increasingly able to rely on sizable aid from American sources of industrial power.

Thus Japan's situation in the last dozen years of the second century of Japanese-western contact may very well duplicate the conditions which, in the seventeenth century, produced Japanese seclusion. Frustration in China is likely to be followed by frustration in the South China Sea. The whole of Japanese gains on the continent, not according to the status of 1940 but according to the status of 1905, has become precarious. Japanese domestic life is gradually being forced back to the living standards of Tokugawa Japan, ¹⁹ and already the population is returning to the stability characteristic of the pre-Meiji era and rapidly approaching retrogression, if such retrogression has not already begun. ²⁰

It takes a sizable lack of historical knowledge not to be struck by the deadly parallel. Already the first signs of a new anti-Christian persecution and xenophobia are in clear evidence. Yet

²⁰ See the author's "Japan's Population Problem Reversed" in Far Eastern Survey, vol. 10, no. 1, January 29, 1941, pp. 10 ff.

¹⁹ A Japanese economist estimates the decline in the Japanese standard of consumption from July 1937 to January 1941 at 40 per cent. A cautious calculation of the decline from the average of 1936 to the average of 1939 makes a decline of 20 percent probable, and the recent Japanese figure far from incredible.

Japan's recent development has so far been discussed in terms of seemingly similar western patterns. Such terms as fascism and totalitarianism, not having been defined as yet with sufficient accuracy to serve as more than slogans of rhetorical utility, are applied rather indiscriminately to the contemporary Japanese developments by western students and journalists. The Japanese, on the other hand, like to stress the purely Japanese character of their recent history. Few of them, however, care to emphasize the fact that Hideyoshi's imperial dreams still continue to be a "source of great inspiration," and fewer still contemplate the possibility that Hideyoshi's imitators may bring about the same results which he and his successors achieved three hundred years ago.

For her neighbors the problem today is how to stop Japan. The problem of tomorrow, however, may well be how to save her from relapsing into the sad fate of Tokugawa Japan, from which she was released, less than a century ago, by the "Black Ships" of the United States navy.

²¹ See Kuno, op. cit., vol. 1, p. 177. In 1940, ominously enough, a Japanese postage stamp was issued with a design reproducing a view of Hideyoshi's Osaka castle.

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(American Council, Institute of Pacific Relations)

HOUSING BETWEEN BOOM AND BOTTLENECKS

BY MAX NURNBERG

Defense and Normal Needs

Housing has entered a new stage. After the early years of the "social" housing movement the recovery program of the New Deal tried to use housing as one of the most promising means of overcoming the lethargy of the depression, profiting from foreign experience. A few years ago the experimental achievements were just beginning to be transformed into a durable long-term program, with methods being continuously adapted to the changing character of demand, which increasingly turned to low-cost homes. And then came the huge defense program, creating a difficult new task of providing unsubsidized shelter for workers' families connected with or needed in expanding defense plants, as well as for army and navy employees, enlisted men and officers and their families.

Even apart from the actual cantonments and military camps the new housing needs differ from the old to some extent, for a certain part of defense housing is only temporary: it is expected to be used only during the emergency, and after the expiration of this period will have to be shifted to other places, in order to avoid the creation of new "ghost towns." But the bulk of defense housing demand is similar to normal housing needs, differing only in location and available building time. The new demand emerges mainly from the neighborhood of defense areas or of manufacturing plants operating for defense purposes, and the need is urgent because any retardation in the housing of workers impedes a quick expansion of defense production.

In confronting this new task two questions arise. First, are the building and the building materials industries in their present shape able to cope with this new demand without being forced to disrupt normal housing business? And second, would it be better to defer normal housing until after the emergency, in order to avoid an amassment of demand for materials, labor and credit? Such an amassment of needs could possibly cause scarcities in materials and labor required also for defense housing and for defense plants; and it could also foster another shortlived building boom, with overlending and overbuilding and with all the attendant dangers of rising building costs, rising rents and rising wages. On the other hand, after the emergency is over there will be an urgent necessity of employment for the huge mass of former defense workers, and if housing is needed at that time it can play a most important role in maintaining a high level of work.

From these two directions normal, non-defense housing is today in danger of curtailment. Especially the public low-cost housing and slum clearing program seems to be threatened; already it is becoming difficult, for financial reasons, to broaden its base, and public opinion favoring its continuation does not appear to be very strong. Some people seem to believe that this part of normal housing, at least in its present form, might be eliminated entirely.

The first suggestion along these lines did not find the full attention it deserved. A few months ago Housing Coordinator Palmer suggested that we postpone the "rebuilding of our cities" in order to "cushion the fall" of employment which is to be expected after the emergency is over.¹ Although he recognized, in principle, the necessity of this "rebuilding," acknowledging also its value as a means of stimulating business, he questioned whether a continuation of normal housing would remain possible. And another voice: "We might even have to refrain from building houses which we badly need, in order that steel should be available for armament uses or for housing construction in areas where defense industry must expand."2

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¹ Address before the National Association of Real Estate Boards, in Philadelphia, November 13, 1940.

² Calvin B. Hoover, Consultant, Advisory Commission, Council of National Defense, "Guns for the U.S.—and Butter, Too" in New York Times Magazine, Feb. 16, 1941.

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But would an elimination of this part of the normal housing construction really alleviate the situation? What would it actually mean? Are there other ways of overcoming the dangers of "bottlenecks" and booms? Is it necessary to defer normal housing in order to "cushion the fall"?

During the boom decade 1920-29 there were built about 700,000 non-farm dwellings a year; during the depression decade 1930-39 (but including 1940, estimated at 548,000 units) the annual average dropped to about 250,000.3 Present defense housing requirements have been estimated by Palmer at 150,000 to 200,000 units; under the maximum unit cost of \$3,500, fixed by the Defense Housing Act, this would come to a total of 700 million dollars. Thus specific defense housing needs amount to less than half the annual average of the period 1920-40, to about one year's output of the thirties, or to about 36 percent of the output of 1940.6

On the other hand, the United States Housing Authority, up to the end of 1940, completed or started 118,000 dwelling units,⁷ or about 9 percent of the total new non-farm residential construction between 1938 and 1940. Including the activity of the former PWA between 1934 and 1937, public housing amounted

³ Temporary National Economic Committee, Monograph No. 8, "Toward More Housing" (1940) p. 23, based on figures of the National Bureau of Economic Research and the Bureau of Labor Statistics.

⁴ Hearings before the Committee on Public Buildings and Grounds, House of Representatives, on H.R. 10412, A Bill to Expedite the Provision of Housing in Connection with National Defense (August 1940) p. 27.

⁵ Funds have been appropriated for financial aid in those cases where private initiative alone is likely to be insufficient to take care of housing needs. Government allocations—to the RFC Mortgage Company, through the Lanham Act, and to the army and navy directly—make available 290 million dollars, and an additional 31 million has been earmarked from its own funds by the United States Housing Authority, the agency active in slum clearance and public low-cost housing (Release No. 512, 1940). Thus, at the present stage of the program, more than half of the financial requirements have been left to private financing. Up to the end of January 1941 allocations were made for about 70,000 defense housing units to be built with public funds.

⁶ According to the Bureau of Labor Statistics work has been started on about 545,000 units; see Survey of Current Business, vol. 21 (February 1941) p. 22.

⁷ Public Housing, vol. 2, no. 26, January 18, 1941, p. 4.

to only 7 percent of the housing volume built from 1934 to 1940; for 1940 alone the proportion is 12 percent. Figures like these are certainly not of decisive size.

Material Supply and Building Costs

For the building industry as a whole an additional 200,000 units superimposed upon the normal civilian need does not seem to be too great a task. It is true that until the new census figures reveal the present picture of the industry, especially the extent to which capacity and present utilization have changed since and because of the depression, it is impossible to venture any reliable prediction. After so many years of unemployment it may be that the number of contractors and skilled workers is depleted,8 and time is required to build up new enterprises and labor forces, both in the building and in the materials industries. The latest available figures reveal, however, that by 1937 capacity in some of the major materials industries had recovered up to 60 to 80 percent or more of the 1929 level.9 With all due reserve it may be said that if there has been any decrease in capacity since 1929 it cannot be regarded as sufficient to hamper the building business in general.

In a well-grounded study published in the middle of 1940 Colean characterized the situation as follows: "Barring actual hostilities, there should be no real shortage of housing materials for a period of at least eight to twelve months." But "By that time the demand of the defense industries may be in competition

⁸ See C. D. Long, Jr., "Long Cycles in the Building Industry" in *Quarterly Journal of Economics*, vol. 53, no. 3 (May 1939).

⁹ The Biennial Census of Manufactures, published in 1939, reveals only the 1937 figures. By that time, on the basis of the average number of employed wage-earners rather than the number of establishments or the total of paid wages, the cement and concrete products industries had regained 79 percent of their 1929 capacity, the industries using clay products other than pottery 64 percent, the manufacturers of metal doors, windows and frames 88 percent, and the industries of structural and ornamental metal work (exclusive of rolling mills) 71 percent, whereas steel works and rolling mills had a labor force of 122 percent of the 1929 level. The capacity of the plants themselves has probably grown even more than the number of workers, because of modernization and the progress of mechanization.

with housing for materials needed in armament and related manufacture." And "Building materials of all kinds are readily available and no scarcities are anticipated, although in the future it may prove necessary to limit certain items to the armament industries. Under such favorable circumstances violent price rises are not likely during the next six to twelve months." In June 1940 cement and window glass plants operated at about 60 percent of capacity, and employment in the lumber and brick industries at that time is estimated at about 65 and 55 percent respectively.¹⁰ No doubt, most of the building industries are now operating at a much higher percentage, enjoying better plant utilization.¹¹ But it may also be assumed that a certain expansion of their productive base itself has taken place since 1937: after an 8 percent rise in the construction business in 1940 a further improvement of 18 percent is expected for 1941.12 Nevertheless, shortages may develop locally and temporarily, especially if a sudden new wave of demand emerges, or if existing transport facilities prove insufficient or too expensive. Thus the supply situation will certainly vary in different regions. In some industrial areas of the northeast a shortage in the brick supply is already expected this spring.13

To the question of the availability of materials must be added that of rising costs. Up to now construction costs in general have shown only a limited upward movement, but most observers expect a further rise. What this would mean is illustrated by the fact that materials alone amount to 40 to 45 percent of total construction costs.¹⁴ The building cost index of the Federal Home

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¹⁰ Miles L. Colean, Assistant FHA Administrator, *Housing for Defense*, Twentieth Century Fund (New York 1940) pp. 84, 31, 85.

¹¹ In the Portland cement industry the ratio of production to capacity was 53.1 percent during the twelve months ending January 1941, as compared with 47.9 percent in the preceding twelve-month period (*Commercial and Financial Chronicle*, February 22, 1941).

¹² Architectural Forum (January 1941) p. 67.

¹³ Report of the New England Purchasing Agents Association, published in New York Times, February 14, 1941.

¹⁴ TNEC, op. cit., p. 59.

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Loan Bank Board rose by 6 percent in the second half of 1940, with the cost of materials rising by 5 percent and labor cost by 9 percent. The index of building material prices moved upward by 6.3 percent in 1940, but the price of lumber alone jumped ahead by 18.8 percent. Softwood lumber production itself does not warrant any fear of scarcity, but in view of lumber's predominant position among building materials, not only for cantonments but also for home construction—its share in the total construction cost of a normal \$4800 single-family house for sale in 1939 was the largest single item, reaching 14 percent is understandable that its price has attracted public interest.

The volume of housing might also suffer, of course, from an uncontrolled upward movement of labor cost or any other cost element, if it could not be neutralized. Labor's share averages about 30 percent of costs.¹⁸ But in regard to labor it is not only the possibility of rising wages which might impede new housing activity; there is also the danger of an increasing shortage of skilled building workers and mechanics, a situation which has already affected defense projects.¹⁹ The first effect of this shortage would certainly be restrictions on normal housing, unless it were possible to apply labor-saving devices. An immediate increase in output could be achieved if labor would agree to a full six-day week, where it is not yet in force, and a further alleviation might be achieved by introducing two- or three-shift operation, wherever applicable. But these measures could not overcome any serious labor shortage, still less a lack of skilled workers resulting from an extension of military training during the course of the emergency.

Here, it seems, is a potential danger for housing. The human

¹⁵ Federal Home Loan Bank Review (January 1941); this index is based on the monthly average of 1936.

¹⁶ Federal Reserve Bulletin (February 1941) p. 164, based on figures of the Bureau of Labor Statistics; this index is based on 1926 wholesale prices.

¹⁷ TNEC, op. cit., p. 43.

¹⁸ Fluctuating between 25 and 45 percent; ibid., p. 49.

¹⁹ Report of the National Association of Building Trade Employees, published in New York *Times*, February 2, 1941.

factor is not wholly replaceable, nor can its supply be quickly enlarged; the time needed to school new forces for qualified work is at least one year. In January 1941 a real estate survey showed that in some localities difficulties had already arisen in the labor situation.²⁰ Thus even if the supply of materials could be increased, under the incentive of higher prices, normal housing would have to face the possibility of a scarcity in skilled labor.²¹ How far new building methods, especially more prefabrication, might alleviate the situation as a whole, how quickly a new system of apprenticeship might increase the available labor supply, remains to be seen.

Inflexible Financing Costs

In the earlier, more experimental stages of our housing development reference was often made to the possibility of lowering interest and amortization rates. It may seem paradoxical to continue this discussion today, when we are witnessing certain boom phenomena, such as increasing housing demand and rising material prices, wages and building costs, but for a consideration of how these costs might be equalized such a review seems pertinent.

The weight of the finance charges, and consequently the effect of their reduction, depends, of course, not only upon the rate of interest but also upon the size of the loan, its ratio to the appraised value of the property and the period and method of amortization. A computation based on a single-family project²² shows that whereas a 20 percent reduction in cost of materials would bring about a 9.3 percent decrease in monthly carrying charges, and the same reduction in labor costs would effect a still smaller decrease, 4.7 percent, a reduction of this degree in interest and amortization, combined, would decrease monthly charges by as much as 16.7 percent. According to another computation an

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²⁰ New York Times, January 12, 1941.

²¹ Colean, op. cit., p. 89.

²² TNEC, op. cit., p. 46.

extension of the amortization period from 20 to 25 years, already practiced in some cases,²³ would reduce monthly charges by about 9.5 percent, which is almost the same as the effect of a 20 percent reduction in material cost and twice the effect of a 20 percent reduction in labor cost. These proportions should not be generalized, of course, because finance charges differ according to varying local and other market conditions, but they do reveal the dominant influence of the financial factor among all elements pertinent to housing.

In a free economic system a reduction of credit cost is possible only if and in so far as the general condition of the credit market permits; if the price of investment money falls unduly in one field its flow will be directed to other fields, if such competitive opportunities exist. The cheapest form of financing is of course public money, but in the housing field the federal government wishes to maintain the participation of private capital to the greatest possible extent, for defense as well as for normal needs, and thus public money will be made available only in so far as private capital does not consider housing investments advisable.

The methods of financing defense housing have recently been changed, and they now differ somewhat from the normal housing scheme. Under the present lending methods it is easier to interest private capital in an investment in mortgage loans than in the more risky equity financing. Therefore, in order to secure a fuller participation of private capital, especially in defense housing, the government has framed a new and very interesting form of cooperation between private and public capital. Operating with 10 million dollars capital (RFC money), the newly created Defense Homes Corporation will supply equity money (10 percent "down payment"), while the needed 90 percent in mortgage loans is to be procured from private sources, protected by insurance by the Federal Housing Administration. This is a new attempt to interest private capital in defense housing investments, an experiment

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²³ Of the home mortgages of the Federal Housing Administration 27.2 percent had a duration of 25 years, 42.6 percent a duration of 20 years; see FHA, Sixth Annual Report, 1939 (1940) p. 53.

which, if successful, may be utilized, in this or a similar form, for other housing purposes as well.

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Also, a new bill of the Defense Housing Coordinator calls for a supplementary appropriation of 156 million dollars for housing defense workers; the bill is connected with an amendment to the National Housing Act which would enable the FHA to extend its 90 percent loan insurance to operative builders of defense housing facilities. In the future these defense houses could be rented or sold even without immediate down payment, which is still asked for in the above-mentioned form of cooperation. Here the already vanishing concept of "equity" money²⁴ has been further disregarded. Thus in general, under this public assistance, a scarcity in equity financing or mortgage money for defense houses does not seem likely.

Nor, under present conditions, is a real capital scarcity for normal private housing to be expected. Partly because of the lack of other comparable investment opportunites, private capital shows increasing willingness to undertake mortgage loan investments, as reports of the public agencies prove. Especially the mortgage insurance of the FHA meets a growing interest among private institutional investors, evident in its passing beyond the 3 billion dollar mark and in the necessity to extend it to 4 billion dollars. In 1939 the volume of newly written FHA-insured mortgage loans amounted to 23.3 percent of all new loans, as compared with 19.2 percent in 1938,25 and since then the ratio may have further advanced. This increase of mortgage loans proves also, however, that private equity money is now available to a larger extent than in former years, even if the sources of these investments are the builders themselves, who now find it easier to dispose of their houses by sale to private homeowners.

But it may be asked whether this willingness of private capital

²⁴ See Charles Abrams, *Revolution in Land* (New York 1939) p. 254; also "Trends in FHA Mortgages and Homes" in *Insured Mortgage Portfolio*, vol. 5, no. 2 (4th quarter 1940) p. 23.

²⁵ Federal Home Loan Bank Review (September 1940) p. 413; more recent figures have not as yet been published.

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to invest in housing-defense as well as normal-might not disappear if its return were to be diminished by an interest rate reduction. Would not private capital migrate to other investment fields? We may take the FHA-insured mortgages as a basis of discussion, because they have been leading in the drive toward lower interest rates for mortgages; they bear a smaller return, in general, than the mortgage credit extended by most other institutional or individual sources, even the savings and loan associations,26 although a tendency toward further interest rate reductions is evident there too. These FHA mortgage loans, in general, yield an interest of 41/2 percent, as upper limit, and this comparatively high return is combined with practically no risk. To the borrower and builder, however, the finance charges are actually considerably higher; including various fees, costs and commissions they reach up to 7 or 8 percent, sometimes even much higher,²⁷ varying according to local and other conditions.

In spite of the 1939 reductions in rates and other credit costs these present yields are considerably higher than those of many other investment facilities, and although they are backed by a mortgage and also by the government's guarantee they would still, if the FHA considered a modest lowering of interest rates, remain at a higher yield level than government or municipal bonds. This difference is usually explained first by the fact that the public bonds have so far been tax-exempted, FHA mortgages not, and second by the suggestion that the FHA-insured mortgagee is entitled to a certain premium for the risk that in the case of foreclosure and transfer of title he would be forced to exchange his 4½ percent mortgage loan for the maximal 3 percent, actually 2¾ percent, tax-exempt FHA debentures. But the fact remains that the average yield remains in most cases higher than that of other government-guaranteed securities.²⁸

²⁶ Federal Home Loan Bank Board, Eighth Annual Report, 1939-40 (1940) p. 37.

²⁷ William H. Husband, "Interest Rates for Home Financing" in *American Economic Review*, vol. 30, no. 2 (June 1940).

²⁸ See Ernest M. Fisher, "Mortgage Loans in the Bank Portfolio" in *Insured Mortgage Portfolio*, vol. 5, no. 2 (4th quarter 1940) p. 14.

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If this margin should be further lessened, or eliminated, investment capital might indeed show less willingness to go into this real estate credit field. As long as the mortgage market is as competitive as today, as long as the builder or owner has the choice between different credit sources in a "borrowers' market," the borrower will of course prefer the loan with the most favorable terms.

An extension of the amortization period, as a means of reducing finance charges, narrows the single monthly payment but it effects no genuine alleviation because the total amount of the payments during the amortization period increases. Thus it may be doubted whether a further extension of the maximal amortization period from 25 to 30 years would be advisable, not only because of the additional financial burden which would fall upon the homeowner, but also because of the limited time span of his full earning power. On the other hand, a reduction of the interest rate, coupled with an increase in the amortization charge, as suggested recently by a New York institution, would not bring about a real alleviation of the borrower's situation but would only shorten the loan term.

Considering all pros and cons we may say that in spite of the fact that there is little other comparable investment opportunity with equal yield and small risk, it would take some time before private capital would be ready, if at all, to undertake new investments at a really lower level. The chances that a lowering of finance charges would provide any immediate relief from high building costs seem therefore limited.

The Alternative

But it may be that such considerations are approaching the question in the wrong way. It may be asked whether it would not be much more wholesome for the economy in general if, in the event of a serious materials shortage, rising building costs would quickly and fully exert their "natural" effects, reducing building activity, eliminating that part of demand which would be de-

terred by higher costs and at the same time, through higher prices, inducing an expansion in the production of materials.

The question of laissez faire as opposed to intervention is not limited, of course, to housing policies. It is a fundamental problem of the entire economic policy during this emergency. But within the housing field certain special considerations raise objections to laissez faire which can hardly be overlooked. These may be briefly enumerated.

1. Rising building costs mean rising defense costs, and this means higher taxes or higher debts which must be serviced by taxes. On the other hand, an introduction of preference prices for defense needs would establish a two-price system, with the obvious danger that materials would tend, if permitted, to flow where higher profits could be expected. In other words, competition between defense and other demand might diminish the defense supply itself, if the whole production and distribution of building materials were not brought under government supervision.

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- 2. If scarcities should develop in the supply of materials it may be expected that under the influence of higher prices and profits the existing plants would be employed to fuller capacity, and the building up of new plants would be accelerated, the latter with varying time lags but with only limited prospects of quick price reductions.
- 3. If the labor shortage should increase, rising costs would not be able to supply materially larger labor forces with the necessary speed, especially not skilled building labor or mechanics. A shortage in these trades would probably continue, as already shown, for at least a year, and might prove to be a greater impediment than any other scarcity.
- 4. Except in the defense housing sector both materials and labor would be shifted, as far as possible, to those projects where the highest profits were to be expected. That would be primarily large factory and commercial building construction and only lastly the single small one-to-four-family structures now prevail-

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ing.²⁹ Therefore only a limited volume of additional housing could be expected from a larger production of materials at higher costs, as long as the size of the project, or rather the size of the prospective profit, directed supply.

5. It is true that a certain consequence of rising building costs would be a cessation in the building of those dwellings whose owner or builder cannot afford to pay higher costs. On the whole these are small builders or those building for families at the lower end of the middle income group. That an alleviation of the housing situation of these income levels is highly desirable, from the social point of view, and on the other hand, that a further increase in the existing disproportion between low-cost and other housing facilities is highly undesirable, may be stated unequivocably.

6. Increasing building costs tend to inflate the values not only of new buildings but also of existing structures. In some instances such a revaluation of old buildings might be justified. But taken as a whole it would tend to increase rents without the prospect of a larger housing supply, so that the flexible part of the income of renting families would be further limited, even aside from rising taxes. Since rent is, after food, the largest single item of household costs, an increase in rents would cause new demands for an increase in wages, and rising labor costs would tend to press prices upward, giving new incentives to any latent trend toward spiraling costs and prices, and this at a time when all inflationary movements should be prevented at any cost.

7. Needless to say, slum clearing, especially, would be caught between the pincers formed by higher cost of land and higher building costs. Thus the savings in building costs which have been achieved in the last few years³⁰—partly by financing methods, partly by a simpler equipment of the dwelling units, and

²⁹ The question whether housing may be affected by a scarcity in structural steel may be passed by without discussion. Steel, while of great importance for large apartment houses, is of little importance for smaller homes, and it seems that the bulk of housing demand will concentrate on smaller units.

³⁰ USHA (Release No. 20, 1941) reports that average net construction cost per dwelling unit has been reduced, since 1938, from \$2948 to \$2560, a drop of 13.5 percent.

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partly by greater efficiency in the building process—would be lost, and the scope of the USHA, limited at best, would be further narrowed.

8. Even if the financially weakest part of normal housing demand were eliminated by increasing building costs (see 5) would demand in general be sufficiently compressed that the danger of bottlenecks would be practically removed? The answer depends upon the size and duration of the defense needs themselves, upon the size of the limitation in normal demand, upon the speed with which the production of materials can be enlarged and, finally, upon the degree to which a labor shortage might emerge. But even if we should succeed in overcoming all these imminent dangers, if building and material supply should proceed undisturbed by bottlenecks, what would be the price? Quite aside from the quantitative problems, would not another danger arise, as indicated above, in increasing building costs, for defense housing as well as for normal housing, in inflated property values, in rising rents and in a relative lowering of the flexible part of income? Would not a speculative building activity flare up under these conditions, of a kind whose detrimental effects are still freshly remembered from the last boom, in 1926-29? And would not another boom be encouraged rather than curbed by attendant supply difficulties? These questions seem to be the more important since signs of exaggeration, fortunately still rare, have already been noted,31 and since business activity, in general, has accelerated very rapidly under the impact of rearmament.

Housing in a Rising Business Cycle

Unfortunately it is by no means certain how residential building (which in this connection may stand for housing) would behave

³¹ Abner H. Ferguson, FHA Administrator, stated recently (New York *Times*, February 16, 1941) that examples of unsound lending practices, careless appraisals and "shoddy" building are again occurring. Similarly, Louis Pink, New York State Superintendent of Insurance, has warned against excessive loans, appraisals created by heavy competition for new loans and the return of the "speculative builder" (New York *Times*, February 27, 1941).

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during a defense boom, and the question seems the more complicated since, with the extension of government intervention in general, the dangers of overexpansion have become greater rather than smaller. Therefore it may be useful to consider briefly the experiences of two European countries.

In Germany, before the first World War, private dwelling construction was considered "anticyclical" in character, braking the falling employment curve in depression times by increasing activity, due mainly to lower interest rates and cheaper cost of materials and wages, but itself slackening with rising building costs in times of recovery.32 During the 1920's, however, public residential building was not only continued but even increased, and this in a time of rising interest rates and costs, thus accelerating the upswing; and the critical aggravation of unemployment in the subsequent years was partly due to these ill-timed exaggerations. In England, too, private residential building is held one of the main contributing factors of recovery,³³ and up to 1935 it was, indeed, the strongest support of the cycle's upward movement. Public housing in England, though active before, was notably increased only after 1936, while private housing declined then, after six years of a sharp upswing. Until the present war the entire building volume remained at nearly the same level as in 1935 and 1936.34 Thus in both of these countries housing behaved in an anticyclical way, but different housing policies brought different results. In Germany government intervention disturbed the natural flow of the housing curve, while the English example proves that government intervention, if well timed, is possible without any exaggeration and also without hampering private building activity. Are those European experiences applicable to the United States?

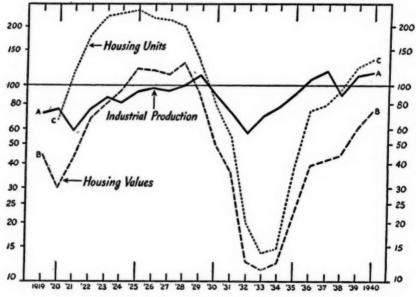
In this country experiences in former boom periods have

See Karl Pribram, "Die volkswirtschaftlichen Probleme der deutschen Wohnungswirtschaft" in Schriften des Vereins für Sozialpolitik, vol. 177, no. 1 (1930) pp. 161 ff.
 See H. W. Robinson, The Economics of Building (London 1939) p. 156.

³⁴ British Ministry of Health, Housing, House Production, Slum Clearance, etc., England and Wales (1939).

shown to what a considerable extent residential building is independent of cost movements; thus the behavior of the residential building cycle is not the same as it is in Europe. In most of the European countries residential building has tended to take an anticyclical course, but in this country the theory prevails that its curve encompasses about 16 to 20 years, and that the amplitude of its fluctuations is much more violent than the course of the general business cycle. As the chart shows, this generalization is valid for the last twenty years, but it is partly to be explained by particular factors.





^e Curve A, index of industrial production (physical volume); 1935-39 = 100. Based on Federal Reserve Bulletin (March 1941) p. 243.

Curve B, index of residential construction contracts awarded (value): 1923-25 = 100. Based on data of F. W. Dodge Corporation, given in Federal Reserve Bulletin, loc. cit.

Curve C, index of new non-farm residential building (estimated number of constructed units); 1920-40 = 100. For 1920-35 based on David L. Wickens and Ray R. Foster, "Non-farm Residential Construction, 1920-1936" in National Bureau of Economic Research, *Bulletin 65* (1937) p. 2; for 1936-39 based on data of Bureau of Labor Statistics; for 1940 based on *Survey of Current Business* (February 1941) p. 22.

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The divergent course of the building cycle in this country and in England is due in part to an important difference in the attitudes of the investing publics. There the habit of thinking in terms of income is prevalent; property is valued largely as a capitalization of the income yield, the price of the "number of years-purchase" rising when interest rates are low, falling when rates are high.³⁵ Local taxation is based on the annual return rather than on the capital value of property. But in the United States property is thought of rather in terms of capital value, with less reference to income than to a speculative appreciation of value. An attitude like this favors building activity regardless of annual return.

Hence in the 1920's building costs in the United States, or rather the relation between them and the expected return, lost control over building activity, as Pribram has convincingly shown,36 because overwhelming speculative influences swept away rational calculations. A large part of residential building was led by considerations not of return or investment but of expected speculative capital gains. The economy as a whole was passing through a period of huge expansion, supported and winged by abundant credit facilities, and the expectation of continuing prosperity prevailed. Rising interest rates did not sufficiently brake the demands for credit, because of the ample capital supply and, above all, because of the unconnected and unorganized condition of the home mortgage market at that time. "There existed a multitude of small borrowers on the one hand and a large number of small financial institutions on the other. There was lack of interregional and interlocal equalization of funds,"37

³⁵ See A Housing Program for the United States, report prepared for the National Association of Housing Officials, Public Administration Service No. 48 (Chicago 1935) p. 2.

³⁶ Karl Pribram, "Residual, Differential and Absolute Urban Ground Rents and their Cyclical Fluctuations" in *Econometrica*, vol. 8, no. 1 (January 1940).

³⁷ Leo Grebler, "The Home Mortgage Structure in Transition" in *Harvard Business Review*, vol. 18, no. 3 (Spring 1940).

The effect of speculative overlending and overbuilding during the twenties became obvious during the early thirties, when the real estate structure collapsed, in an unexpectedly deep fall of residential building activity; and a large "overhang" of unsettled real estate property, originated in the boom period and taken over by financial institutions to cover their claims, prevented the real estate market from recovery for many years. The liquidation of these properties has made some progress during the last few years.³⁸

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But the absence of a further fall in residential building activity, and the recovery since 1935, shown in the chart, are to be ascribed not to a free, natural reaction but to government intervention. Therefore the last part of the curve of residential building can be compared with former building cycles only if these government activities are taken into consideration. Homeowners in distress have been relieved, the foundations of a sound mortgage credit structure have been laid and, increasingly in later years, public housing itself has been inaugurated. On the other hand, the bulk of residential building has been and is performed by private builders, and credit sources are predominantly private or semi-private, the latter, it seems, holding an increasing proportion of FHA-insured mortgages. Whatever the causes for the present upward movement of the residential building curve, it is coinciding with a rising business cycle, and this coincidence, as the discussion above has shown, may result in an additional acceleration of residential building activity.

Another Building Boom?

Indeed, it almost seems as if all the preconditions for another building boom are present. Business in general is geared to its highest speed for defense, the national income is again growing rapidly, and the normal demand for housing is increasing quite independently of the huge defense housing needs; the latter tend further to complicate the situation through local amassment of

³⁸ See Federal Home Loan Bank Board, op. cit., pp. 13 ff.

demands and through the necessity for quick action. Hence it may well be asked whether a boom like that of the twenties might not occur again, regardless of rising material prices, wage costs and bottlenecks, inflating values and rents and creating new spots of danger.

The possibility of certain speculative exaggerations in the housing field is doubtless present, but should not be overestimated. Private residential building was comparatively modest in 1940, showing a gain of only about 12 percent³⁹ after a 30 percent rise in 1939. Although the 1929 level of residential building has been reached again, it is far below the peak of 1926-29, and there is so far little evidence of an uncontrolled building boom. Property values have not yet increased very much, and rents have risen mainly in the centers of defense activity, there, indeed, so rapidly that the introduction of rent control in those areas is considered unavoidable by many observers.⁴⁰

It is true that with progressing improvement of general business conditions the demand for new homes, if not checked, may well increase further, as a result of the general predilection for homeownership and the typical tendency to reverse the "doubling up" process in better times. Such a development might occur in spite of the above-mentioned "overhang" from former times, for this does not greatly affect the low-price and low-maintenance-cost housing now in demand.

But on the other hand, the operation of real estate credit has entirely changed since the depths of the depression. The structure of lending institutions is no longer uncontrolled and unorganized. Today private institutional lenders of mortgage credit are legally limited in regard to the total extent and the ratio of their real estate lending—except for the loans insured by the FHA—and federal or state supervisory authorities are endowed with power to exert, if necessary, a coordinated restrictive influence on the

³⁹ Survey of Current Business (February 1941) pp. 22 ff.

⁴⁰ The over-all index of residential rents showed little change during 1940; see Federal Home Loan Bank Review (February 1941) p. 149.

mortgage lending of insurance companies, savings and loan associations, savings banks, trust companies and commercial banks. In 1939 these types of institutions, combined, wrote about 70 percent of all new loans on existing and new structures; thus no more than one-fourth was handled by the more or less uncontrolled body of individual and other lenders (funds).⁴¹ How far this situation may have changed in 1940 remains to be seen. Would this block of "uncontrolled" real estate lenders be able or willing to encourage a building boom through careless credit expansion?

Many private investors have still a fresh memory of the collapse in the early thirties, and a certain restraint in undertaking new real estate investment can partly be explained by the heavy losses suffered from exaggerated valuations and expectations during the last boom. Other sources of restraint may be the fear of inflationary consequences from the public debt increase, and the danger of a military entanglement of the United States. Tax policies also serve as a deterrent;42 obsolete assessments do not greatly burden new housing, for this is usually located on the outskirts of towns, but their influence affects the valuation of real estate in general as a means of investment. In times like these the mobility of the population, and the possibility of shifts to new centers of employment, may increase the risks of real estate by influencing the character of a neighborhood. Foreclosure risks cause reserve too, and also the fear of government action to limit the return of real estate investments by rent control.

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Thus there are today many deterrents, existent or anticipated, to the flow of investment capital into housing. But as experience in this country has evidenced, reflections and scruples like these have been overcome too often and too easily by prospects of exceptional capital profits. Should these profits or profit expectations develop again into stimulating forces the danger of a new boom, even if less widespread than in the twenties, cannot be wholly overlooked. As long as a "borrowers' market" exists the

⁴¹ Ibid. (September 1940) p. 413.

⁴² Federal Home Loan Bank Board, op. cit., p. 11.

effect of legal restrictions on the lending institutions is limited by the competition which prevails within the credit market: even when they are coordinated they leave open the possibility that credit demand will shift from the controlled to the uncontrolled sector, producing all the well known dangers of overlending and other practices which the present-day real estate credit organization has tried to eliminate. There still exists a highly speculative part of investment capital ready to take the risk. But this part will probably not be able to finance a building boom on a broad base and against the majority of the lending institutions.

In short, then, a policy of laissez faire in regard to rising building costs would mean elimination of the financially weakest housing demand. The production of materials would be expanded but, at least in some sectors, not quickly enough to lower costs. A labor shortage might develop, at least temporarily or locally. Materials and labor would tend to go to the competitive construction work with higher profit prospects, not to housing. Defense costs would rise. The cost of building, the values of old and new structures and consequently rent would increase, and the danger of spiraling wages and prices would gather momentum. Whether private building would be curtailed enough cannot be foreseen, but some indications seem to exclude the likelihood of a building boom so great as that of 1926-29.

The Limits of Intervention

A complete cessation of non-defense housing can be expected only in wartime. Should an only partial limitation prove necessary, no government action could overcome the arbitrariness necessarily involved in every basic decision as to what should be built and what not. Unless there were public production of building materials, which even the most radical advocates of intervention do not consider as yet, every government action outside the safeguarding of defense priorities would, by nature, tend to direct the given supply by negative means, as long as possible—for

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instance, by fixing material prices which, however, would only tend to scare away existing supply or to discourage an extension of production, or by licensing materials and labor for non-defense projects, or by quotas. Only under war conditions or for defense purposes themselves is it considered possible to direct the already employed labor force to new localities;⁴³ moreover, this measure might be limited in scope by the very lack of housing facilities which it would be intended to cope with, or by rising wages.

Every decision as to what part of the normal housing demand should be satisfied, and what not, would be rendered the more difficult the more the trend in building activity concentrated on the same kind of homes, those in the lower price brackets. Probably a general decision would not be possible at all. It would have to be left to local agencies to determine, from the point of view of better employment, the nature of procedure. But these local agencies, even if they were able to decide independently and with a fair consideration of urgent needs, could have only a "spotty" and temporary success, losing efficiency and gaining unpopularity the longer they lasted. The only measure which might be excepted from this judgment is rent control; but both here and in European countries this measure has proved rather unwieldy, and it might even discourage building activity in an indirect way.⁴⁴

Post-Defense Considerations

This discussion has so far centered around the question whether a possible scarcity in building materials or labor, on the one hand, and, on the other, the dangers of another building boom, might recommend certain restrictions of non-defense, normal housing activities at the present time. While it is impossible to state, at this moment, the exact capacity of the building industries and their suppliers, there is evidence of certain boom tendencies. And even if another boom like that of the twenties is not yet imminent,

⁴³ Colean, op. cit., p. 90.

⁴⁴ See Carl Major Wright, "Housing Policy in Wartime" in International Labour Review (January 1940).

it would seem rather hazardous to wait and see whether potential difficulties can be overcome without any building limitations, however undesirable and leaky they may be.

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But there is also another problem. It is indicated in Palmer's suggestion that we defer rehousing in order to "cushion the fall" of employment after the defense task has been completed, when labor will have to be shifted back from defense purposes to normal production.

The fear of a post-defense depression is, of course, well substantiated, and the responsible leaders of economic and social policy are well aware of the dangers it would hold. The President has recently announced that certain plans are in preparation for carrying out a post-defense program designed to lessen the effect of the economic repercussions which are to be expected during the transition period after the war. In this program housing, as well as highway building and other public works, will play an important role. But it seems that the motivation of deferring the rehousing effort to later times in order to create employment underestimates the largeness of the housing task. Early private estimates of the total of accumulated housing needs reached as high as 9.4 million dwelling units, considering all pertinent factors. 45 In 1937 it was estimated that 800,000 non-farm homes had to be built in each of the next five years if we were to catch up with the deficit which had accumulated up to that time;46 but in 1937 only about 300,000 were provided, in 1938 about 350,000 and in 1939 about 450,000, so that there is still a need for about 2,500,000 dwelling units if we are to make good the existing urban housing shortage. Even if these two substantiated estimates are not strictly comparable they reveal the general magnitude of our present housing needs.

Apart from the feasibility of deferment there still remains the urgent desirability of continued efforts at rehousing. This is based

⁴⁵ Ernst Kahn, "Ten Million Houses" in Survey Graphic, vol. 24, no. 5 (May 1935) p. 220.

⁴⁶ National Resources Planning Board, Housing, the Continuing Problem (June 1940) p. 32.

on more than a purely sentimental attitude favoring a continuation of public low-cost housing, arguing that "loyalty to slums, rooming houses and exorbitant rents is not to be expected."47 There already exists a huge housing shortage, quantitative as well as qualitative. It is much greater than the average 5 per cent ratio of vacancies, shown by the last census, would indicate. The actual shortage could be shown only by figures split up according to the different rental brackets and the age and condition of the dwelling units in use, with due elimination of dwellings unfit for habitation—a task which the 1940 census may be able to perform. Meanwhile the lack of sufficient data is no reason for denying the existence of a pressing housing problem, which should not be aggravated by postponement of building activity. Therefore if certain limitations should be necessitated by the further development of the building market they should not be exclusively at the expense of low-cost housing and slum clearance, but rather should accord an equal treatment to all branches of normal housing.

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⁴⁷ Elizabeth Wood, "The Role of the Government in Defense Housing" in *Journal of Land and Public Utility Economics*, vol. 16, no. 4 (November 1940) p. 385.

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The Problem of the French General Staff

BY STEFAN TH. POSSONY

"Les hommes sont impuissants pour mesurer l'avenir, les institutions seules fixent les destinées des peuples."—Napoleon

The downfall of the French republic, which gives rise now to much the same kind of contemplative wonder as the collapse of the Roman empire aroused in writers of the eighteenth century, has been explained so far by three theories. The first theory proclaims that France was betrayed, sold down the river, by her leaders; the second that the French people lacked the moral cohesion and vitality necessary for self-defense. The third theory asserts that the downfall was the result of the failure of the democratic system. But each of these theories stresses only a partial aspect, and none of them alone can account for France's fall.

No evidence has been produced for the theory of general treason. On the contrary, it is well known today that some of the outstanding appeasers and leaders of the "fifth column" were in prison or out of France when their country collapsed. Hence they had no direct influence on the collapse and, even though their influence was later felt in Bordeaux, they had no influence whatever on the earlier unfortunate development of the war. It must not be forgotten that the last war government intended, until June 21, to pursue the war. This government, which had come into power in March 1940 because of the demand that the war be waged "more energetically," decided in June to ask for an armistice because a majority of its members had come to the considered conclusion that any continuation of the war would be useless. This decision is no secret. If it is true that, as seen from today, such a conclusion was probably false, it must nevertheless be remembered that on

June 22, 1940, it was quite comprehensible. At that time no responsible Frenchman and, except de Gaulle, not a single military leader—and not even many of the English who were then in France—believed that Britain could long resist.

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Nearly all lost wars give rise to theories of treason, in one form or another, because nations rarely admit that they have been beaten by normal means. Actually such theories are almost never proved by thoroughgoing investigation.¹ The accusations against the last Czarina and Suchomlinow, the Russian war minister, who were both suspected of high treason in league with Germany, offer a famous example: their innocence is no longer questioned. In the present war the King of the Belgians has been accused of treason: now, however, it has been established that he did not betray his allies in open battle but that, on the contrary, the Belgian army fought heroically until further resistance was useless. The accusations made against Leopold at the time of his surrender have now fallen to pieces.2 Nevertheless it is undeniable that in this war, as in all others, treason has played its role on a large scale. But treason was not the cause of the French debacle. If treason was instrumental (and we must distinguish between treason and espionage), it was only after the decisive military defeats of the French army.

The second theory—that of the lack of moral cohesion and vitality—is certainly not all invention. Most French were pacifists and the people had been more or less bled white by the last war, which exacted heavier sacrifices from France than from any other belligerent except Serbia. Nevertheless, as all eyewitnesses confirm, French morale and composure were excellent, even during the most serious crisis, and the French soldiers fought—when they had the opportunity to fight—with great spirit against overwhelming German forces possessing superior matériel. This second theory ignores facts like these, and fails to look for special causes.

The third theory, that of the failure of French democracy, is

¹ See Hans Speier, "Treachery in War," Social Research, vol. 7 (September 1940).

² Belgian American Educational Foundation, Inc., The Belgian Campaign and the Surrender of the Belgian Army, May 10-28, 1940 (New York 1940).

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more convincing than either of the others. We must bear in mind, however, that France's democratic institutions did bear up over a long period of time, and that they held particularly firm during another terrific war. When the present crisis broke out they were undergoing a process of transformation and adaptation to modern conditions. The external crisis hindered the continuance of this process and thus increased existing defects in the democratic machine. If the French army had been able to carry through to a victorious end, then the strong war governments would certainly have brought institutional reform to a happy issue. It may also be emphasized that efficient military resistance was possible without previous political reform, but only if the military leadership were good. Obviously this condition was not fulfilled, but that cannot be laid to the charge of democracy. The chief blame for France's failure may therefore be laid on the French General Staff —a result in agreement with the normal expectation that military defeat must be explained primarily by military reasons. True, explanation of the French collapse by the failure of the General Staff, like each of the other theories, fails to cover all aspects of the problem, but it does cover the most important aspects and reveals exact causative connections.

But to give primary blame to the General Staff is not to absolve French democracy from any contribution to the eventual collapse. In 1927-28 the French parliament, following the pacifist mood of the people and hoping to alleviate a permanent financial crisis, decided to reduce military service from one and a half years to one year, and in 1934 they further reduced it to ten months. After having secretly introduced military service, Germany reestablished the Allgemeine Wehrpflicht in 1935. From that day on the French and German armies were nearly equalized, and the French system of diplomatic alliances was thereby virtually destroyed. Nevertheless it was not possible to rescind the earlier reduction of the French term of service. Parliament was satisfied with the subterfuge of keeping the disbanding troops for an additional threemonth period. Not until war raged in Abyssinia, the Rhineland

had been occupied and Germany had adopted two-year service did France likewise return to two-year service. Even this reform, however, was adopted within the framework of the basic laws of 1927-28 which failed to provide effective training, particularly of the cadres. The aim of these outdated laws had been the creation of an "army of peace" with no offensive striking power. Although new laws had been added, this legal framework had not been changed to meet changing conditions. In addition, the laws which were voted by the French parliament were generally so badly phrased that, in spite of the improvements which were regularly made by the Conseil d'État, many clarifying amendments were necessary. After numerous corrections most French laws and their implementing rules were so contradictory that in the end authority rested with the arbitrary bureaucracy.3 In any case, France drew no advantage whatever from Germany's long-lasting disarmament simply because she did not sufficiently drill her recruits, and in particular because she took little care of her cadres, with the result that Germany had better, if not also more, cadres at her disposal.4

Another very important respect in which French democracy may be blamed was the financial attitude of parliament, which was as generous for all social purposes as it was niggardly in military expenditures. Parliament's guilt in this respect has been denied with the argument that as a matter of fact the army got all the sums it demanded. This argument is meaningless, however, since the army asked for only those amounts it could reasonably hope to receive, and moreover all requests for appropriations were rigorously cut by the minister before their presentation to parliament. After 1933 France's expenditures for her army were only a quarter or a third of Germany's. It should not be forgotten, however, that by that time the greater part of the Maginot Line had already been

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⁸ See André Tardieu, "La profession parlementaire," vol. 2 of *La révolution à refaire* (Paris 1938).

⁴This fact was overlooked by some authors who attempted to prove, by a priori arguments, that Germany could not win. They did a bad service to their own cause. The conviction that a war cannot be lost may precipitate defeat, as in the striking example of France in 1870.

completed and France had been armed for fourteen years, while Germany had only the most elementary equipment to begin with. And it should be noted that the French army spent 75 or 80 percent of its funds for personal subsistence, leaving little for matériel.

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Certainly this ratio of expenditures for personal maintenance in the army to those for purchase of materiel could have been improved by better control on the part of parliament as well as by better purchasing organization. Nevertheless, despite the high proportion spent for personal maintenance, the payment of the individual officer was too low to attract talented young men to the military career, or to keep in the service men in the higher ranks. Many officers stayed in the army long enough to secure a pension which would afford a minimum living and then went over to commerce or industry. This process was almost unavoidable inasmuch as the income of a second lieutenant amounted to less than the minimum for living of the lower middle class and the income of the highest ranks was less than the average income of persons successful in civil professions. The daily pay of a private was ridiculous: it amounted to 50 centimes, whereas a subway fare was 70 centimes and the cheapest bus fare was 1.10 francs. Postage, normally 70 centimes for a postcard and 90 for a letter, was free for the soldiers, but it is a good illustration of the conduct of the French army that it was very difficult for nurses to obtain the military franking privilege. As a further illustration it might be added that the financial condition of the privates was aggravated by the absurdly small allowances to their families, averaging about 8 francs (10-20 cents) a day for the wife and 4 francs for the first child. Even these small sums were often in arrears and paid only after prolonged trouble with the administration. Who was to blame? Partly of course the cause lay in poor organization, but the chief cause was the limited financial resources of France.

The purchase of matériel, on the other hand, was hampered by the relatively small French war potential. During the years preceding the war little was done to accelerate the development and modernization of French industry; in fact in many instances pro-

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gress was even hampered. No one today can claim, for example, that the partial nationalization of war industries and especially of aviation factories increased France's production of matériel, and particularly planes, though such an increase was promised as a direct consequence of nationalization. (The former proprietors of these factories, incidentally, had been greatly pleased with Leon Blum's experiments. Before the "nationalization" their earnings had been insecure and rarely exceeded the normal profit rate of 5 to 6 percent; under the new program they had a guaranteed return of 10-14 percent.) The Front populaire pretended to prepare for industrial mobilization by building shadow factories with supplementary machine equipment. These factories were never built, however, and the French material inferiority was essentially due to the fact that production of tools and new war factories began only at the end of July 1939, and was halted four weeks later by the mobilization of many of the skilled workers.

It may be inserted here that the French General Staff was aware of the necessity for industrial mobilization. Most of the skilled workers were nevertheless mobilized for military service because, on the one hand, the staff did not dare offend the powerful, almost religious, equalitarian feeling of the French: Égalité d'abord. Therefore almost no exemptions were granted. But since the main line of war organization could not be based entirely on equalitarian principles, a program of alternating three-month periods in the army and in the factories was inaugurated for the skilled workers. Needless to say the furloughs for work in the factories, however necessary, were obtainable only after long disputes between the factories and the military bureaucracy, even though France had mobilized many more men than she could equip. The effects of such a program on the industrial output, as well as on the equalitarian sentiments of the people, can easily be imagined: but this solution was typical of the way in which the French General Staff solved the most urgent problems.

But to return to the mistakes of parliament, that body must be held responsible for the foreign policy which left France, in le,

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the decisive hour, almost without any powerful and reliable ally, although military alliances were obviously necessary because of the relatively small French war potential, and had been prepared in earlier years with Russia, Italy, the Little Entente, the Balkan Entente and Belgium. Nor did parliament realize the urgency of a reform and more rigid control of the army. In 1935 when Paul Reynaud, then a deputy, tried to carry through a reform in line with de Gaulle's ideas, his proposals were rejected by a great majority—with many votes secretly influenced by army circles.⁵ Later, when the disputes on social reform were the main task before parliament (at the time of the annexation of Austria, when the actual crisis began, the problem of a labor relations board was the special topic for passionate discussion), this petty army reform was soon forgotten, and the French army remained an "army of peace" with no striking power.

The responsibility of parliament is indeed very heavy. It is even heavier if we take into account other neglected reforms, such as administrative reform, which might have been of enormous indirect military value. But one of the outstanding facts of the whole story was the inability of parliament to work quickly. Even when Blum, for nearly two years, had a large majority, only two laws were voted: paid vacations for industrial workers and the forty-hour week.

But although parliament deserves blame for these failures and mistakes, a closer examination relieves it of much of the primary responsibility. The army never informed the legislative body of the actual military situation. If the General Staff had had any real desire to remake the "army of peace" it could easily have achieved that object. The prestige of the staff was so great that parliament would never have tried to resist any wish of the army.⁷ It was the

⁵ See Paul Reynaud, Le problème militaire français (Paris 1937).

⁶ See Civil Service Abroad, by the Commission of Inquiry on Public Service Personnel (New York 1935), especially Walter R. Sharp's monograph, "Public Personnel Management in France."

⁷ Quite in contrast to former times, the army enjoyed great social esteem in democratic France. On the former contempt, see Hans Speier, "Militarism in the Eighteenth Century," Social Research, vol. 3 (August 1936).

General Staff which in reality hindered important improvements in the army, or even discussion of its defects. It must be emphasized that this was not because it was feared that discussion or reorganization might reveal internationally the weakness of France, but because the staff was convinced of the efficiency of the French army. In spite of the many defects which were revealed in the mobilization of 1938, no real effort was made afterward to correct them: indeed, parliament and press were delighted with the success of the experiment. The few critics in parliament were genially assured that all was best in this best of worlds—the Voltairian tradition was never strong in the army. On the eve of the war the army again made an optimistic report in which it seriously reasoned that further armament would help Germany as well as France.8 But the main defense of parliament is that after September 1, 1939, it was almost powerless, while virtually all power was in the hands of the General Staff. And during the following eight months of "phony war," nothing was done to compensate the deficiencies.

It must then be assumed that the General Staff simply did not see these deficiencies. The puzzle of why the French did not use their matériel more properly can also be solved only on the assumption that the staff did not know how to use it. Actually, although Germany's material superiority was great, it was not so great that any successful defense was impossible. In modern war the defender does not need material parity, and according to all known figures the Allies had enough matériel to withstand the German onslaught, especially with the help of their fortifications. Yet Germany achieved one of her two strategically decisive break-throughs in strongly fortified terrain. Material inferiority must be compensated by intellectual superiority in the officers and thoroughly trained troops; if it is not, it decides the issue. It is because her material inferiority was not thus compensated that France was not well defended.9

⁸ See André Maurois, Tragédie en France (New York 1940) p. 24 ff.

⁹ The possibilities of defense against *Panzerdivisionen* without proper anti-tank weapons has been shown by Thomas Henry Wintringham in *New Ways of War* (New York 1940).

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It is true that a training period of one year is not very long. But one year is fifty-two weeks, and the French, very quick in military matters, were capable of learning more in their instruction camps than they actually did. Some of the most recent experiences prove that drill can be completed within a short period of time, especially with technical troops. This may sound paradoxical, but technical troops are recruited mostly from industrial strata and are often experienced workers.10 But the training methods in the French army were not adequate to prepare the troops for real war. What can be expected of troops who know nothing of dive bombers and who have never learned how to defend themselves against armored cars? And if we assume that perfect drilling of the French soldiers was impossible in peace, why then was their training not completed during the early, inactive period of the war? The answer must be that the staff did not realize that the training was deficient.

The main purpose of the drilling was to fill the soldiers with an esprit militaire. This could not be accomplished, however, because of the atmosphere of the barracks and the everlasting fatigue duty, the famous corvées. The usual attitude is well illustrated by the harangue regularly delivered by non-commissioned officers to new recruits: "It is quite possible that you are sometimes right, and that you are more intelligent than I. It doesn't matter. I have the stripes, and that is the only thing that counts here." Naturally such methods, as was discovered in an investigation made by Le Temps in 1931, contributed to the fact that 60 percent of the soldiers left camp with a radical esprit anti-militariste.

But to state that the French collapse was due chiefly to the failure of the General Staff is not to solve, but only to define the problem. How is it possible that a professional body as carefully selected and thoroughly trained as the General Staff failed in precisely that task for which its training and activity had presumably prepared it?

¹⁰ See Joseph Monteilhet, Les institutions militaires de la France (1814-1932) (2nd ed., Paris 1932) p. 423; and B. H. Liddell Hart, The Defence of Britain (New York 1939) p. 418.

The failure is the more puzzling because the staff was chiefly composed of men who were very intelligent, cultivated and honest.

The French staff comprised three different groups: the reserve staff officers, the career staff officers and the Conseil Supérieur de Guerre. The reserve staff officers, who could rise in time of peace to the rank of colonel and in time of war to any rank, had nothing to do with the actual preparation for war. The institution of reserve staff officers is a weak hybrid resulting from the needs and principles of a democracy and the necessity for increasing the number of officers. In service these men were merely auxiliary officers, and they lacked commanding experience, expert military knowledge, and sufficient prestige to remedy abuses. Since these officers formed the bulk of the troop staff, this was a very serious handicap.

The career staff officers, employed in the ministry and charged with making preliminary studies for the planning and conducting of war operations, formed the real General Staff, in the proper meaning of the term. This group of officers failed conspicuously. Why?

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One reason for this failure may be found in the shortcomings in the intellectual training of the staff officers. We need not be concerned here with the large number of officers who emerged from the ranks. These men, after first serving as non-commissioned officers and then completing the work in one of the various military schools where specialized training was given for different branches of service, were promoted to the rank of second lieutenant, and afterward could rise as high as captain or, very rarely, commandant. Nearly all the men who eventually attained high rank, however, were graduated either from St. Cyr, for infantry and cavalry, or from the École Polytechnique, for the technical branches of the service, and entered the army as second lieutenants. Once in the army most of these officers attended one of the various Écoles d'Application for special training in particular fields, and next, after a certain period of actual service, they could apply for admission to a school of higher military learning. The most imm-

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portant school of this sort was the École Supérieure de Guerre, the only one of these schools to have a permanent staff of teachers for any four years. Officers who had attended this school could acquire further specialized training at the Centre d'Études Tactiques d'Artillerie or the Centre d'Études Aéronautiques.

To be admitted to the École Supérieure de Guerre, officers had to pass very difficult examinations in nearly all fields of science and in languages. The examinations were of course focussed on military problems and they varied according to the branch of service to which the candidate belonged. Generally speaking, the examinations favored persons with methodical and conservative habits of thinking rather than those who thought in original or unorthodox terms, and in addition, because they were so difficult, they excluded many persons who would have been well suited to follow the courses. Joffre, for example, was never admitted to the school. Students who were admitted first spent six months studying the branches of service which they did not know: an infantry officer, for instance, became acquainted with tactical and organizational aspects of artillery, cavalry and aviation. Thus the officers learned the foundations of the military profession. Courses offered in the school included staff work and general tactics, infantry, cavalry, artillery, fortifications, aviation, military history, horseback riding and languages.11 Riding was stressed in order to add physical exercise to the intellectual strain - which was intensified by the speed with which all tasks had to be performed. The purpose of this rather curious method of teaching was to accustom the officers to the strenuous realities of war. In this purpose the school succeeded, but only at the expense of intellectual development.

The entire curriculum and purpose of the school were strictly limited: the students had to learn their practical profession as staff officers, and nothing else. They were prepared only to handle problems of their daily life: the deployment of 450 guns, problems of supply, the issuance of orders to regulate the necessary

¹¹ See G. Guy Waterhouse, "Some Notes on the École Supérieure de Guerre, Paris" in *Army Quarterly*, vol. 8 (July 1924).

traffic. In the first year the officers learned to execute orders, in the second year they practiced the practical art of commanding, with special emphasis on the exact and clear wording of orders. In the second year the students also visited the most interesting factories producing war matériel and learned general facts concerning war industry.

Besides the practical knowledge which the officers acquired at the school they were also filled with the doctrine of the supreme command. The purpose of the doctrinal impenetration was to arrive "at that goal of Moltke's ambition for his Great General Staff, that a problem set to any number of his officers would produce the same number of practically identical solutions."12 Important as identical doctrine may be in war, there is no doubt that the École Supérieure de Guerre overstandardized its teaching, and hence exposed its students to terrific danger in the event, not too improbable, that the real war turned out to be one for which they were not prepared. Foch commented on this, "Je n'ai qu'un mérite: avoir oublié ce que j'ai enseigné, ce que j'ai appris."13 We may add that the danger of overstandardization was much greater than first appears because the professors and lecturers at the school later frequently became army commanders and members of the Conseil Supérieur de Guerre, and the director of the school was also usually a member of the Conseil. This organization completely assured unity of doctrine, but it also resulted in the extreme of inbred thinking.14

The method of the school was purely historical. Before 1914

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¹² See Waterhouse, cited above, p. 333.

¹⁸ Monteilhet, cited above, p. 321.

¹⁴ General Marie Eugène Debeney in *La guerre et les hommes* (Paris 1937) disagrees with such statements. The only proof he offers for his position, however, is that there were so many military schools: "La conséquence en est une diversité de tournures d'esprit, de conditions sociales, de goûts qui donne au corps d'officiers de carrière une vie intense" (p. 142). General Debeney forgets two things: that the same doctrines can be, and actually were, taught in many schools, and that for the important higher military learning there was only the École Supérieure de Guerre. Debeney's affirmations are a kind of answer to criticism proving, by their vehemence, that the criticism was both frequent and strong. French politics was, incidentally, confronted for many years by a similar problem, the école unique.

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the officers learned their profession from the Napoleonic wars of 1805, and after the World War the courses seem to have been based upon the consecutive battles from Charleroi to the Marne, perhaps to Verdun. In Nietzsche's words it can be said that the school intended to teach the "Nutzen der Historie für das Leben," but that actually only the "Nachteile" were taught. This is most strikingly revealed by the fact that the French army avoided the errors of 1914-by committing errors exactly opposite! The offensive à outrance of 1914 became the défensive à outrance of 1939. The underrating of the defensive power of modern matériel became its overrating in 1939. In 1914 all artillery was mobile, in 1939 the artillery was not mobile enough. In 1914 the reserves were purposefully not used at the beginning of the war, in 1939 the French army was "an army of reservists" - because the military value of reservists was as underrated in the earlier war as it was overrated this time. On the other hand, history established some fixed ideas in the minds of the staff which were responsible for operations being patterned on those of the battle of the Marne. Commanders were appointed on the basis of their relations to former World War commanders, because they were supposed to have the spirit of their former chiefs, or at least to share in the myth surrounding the earlier heroes. Even the future Foch was already designated. Napoleon's dictum that in consequence of ever-changing techniques there is constant opposition between the system of the elders and that of the moderns was completely forgotten.

Discussion was not encouraged in the school. On the contrary it was frowned upon by the teachers, and students who attempted discussion were often put at a disadvantage. Thus the officers lost all initiative and were taught never to show independent judgment. Another serious defect of the École de Guerre was that most of the basic aims of its training, such as speed, concentration, courage, were never adapted to modern conditions, with the result that they had an almost metaphysical value but no real meaning at all. But perhaps the most serious defect was that the

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teaching was adapted too slowly to changing conditions. General Debeney boasts of having repeatedly given the following advice to the commanders of military schools: "Your collaborators are very earnest and positive persons who find every day a new matter indispensable for the education of their students. But you must listen to them only if you have your scissors in your hands, and then cut, cut without mercy." Such was the trusted method of military education in France.

The best graduates of the École de Guerre were employed in the ministry, where they were overburdened with bureaucratic work, frequently interrupted for troop service. Consequently they could only perform their daily tasks and had no opportunity to improve or enlarge their knowledge. Some of these officers, however, were charged with the elaboration of new strategic and tactical methods and with keeping abreast of scientific progress. What are the causes for the failure of this work? Aside from the fact that there were too few officers for this gigantic task, all socalled "heretics" (who were not radically heretic or they would never have been able to enter the staff) were excluded from this work, and only those loyal to the doctrine were employed. Moreover, the different departments were not sufficiently unified, but on the contrary had developed a high degree of particularism.¹⁶ In the frequent differences between the various departments, agreement was sought by the circulation of numerous dossiers on which all were asked to give opinions. The problems were then

¹⁵ Debeney, cited above, p. 256.

¹⁶ General de Trentinian, L'état-major en 1914 (Paris 1927). One of the most striking examples of this diversity of opinion is given by General Debeney, cited above, on p. 277. General Debeney denies that the doctrine of the offensive à outrance was the official doctrine of the École de Guerre and attempts, unsuccessfully, to prove his point by demonstrating that some of the lecturers opposed the doctrine. According to Debeney this doctrine was forced upon the army by the "Instruction provisoire sur l'emploi des grandes Unités" of October 28, 1913, which was written by the adherents of the doctrine (the "Young Turks" in Pétain's vocabulary) and which was approved by the minister "who alone must give instructions to the army." Whoever bears the historical responsibility, it should be impossible for a doctrine to be forced upon an army against the considered opinion of its recognized experts.

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discussed by committees, and memoranda of these parleys, in which decision was regularly postponed, were attached to the voluminous dossiers whose circulation began again.¹⁷ Such a procedure is not adapted to overcome particularism and obstruction. When a decision was finally reached it was generally a bad compromise, the worst thing possible in military affairs.

Another important weakness was that incoming information was very often not taken sufficiently into account. Hence the influence of new technical developments on existing French methods was often very slight, especially if new equipment, new tactics or the readaptation of the army were involved. Tradition was generally stronger than new knowledge, and very often the latter was interpreted and reinterpreted until it was no longer in flagrant contradiction to the doctrine. The opposite mistake was made in the concern over all sorts of new matériel. Here an excess of conscience raged which aimed at complete and idealtypical solutions of technical problems. As long as such a solution was not found, however, nothing was produced because the staff was unwilling to agree to provisional solutions. During the prewar crisis the production of planes was hampered because the tests were too severe. In 1935 it was announced in regard to experiments with tanks: "The experiments are continuing, but it is not likely that they will come to a conclusion soon."18 The reliance on perfect solutions had been justified when the 75 mm. cannon was developed, but it is not always feasible to wait indefinitely for perfect solutions. The slowness of the process, it is true, was partly due to the fact that the General Staff had neither good nor sufficient technical installations at its disposal, and this in turn can be partly explained by the small industrial potential

¹⁷ On the methods of the French administration, see Sharp's monograph in *Civil Service Abroad*, cited above; Joseph Barthélemy, *Le gouvernement de la France* (Paris 1939); and Raoul Victor Patrice Castex, *Le grand état-major naval* (Paris 1909).

¹⁸ General Jean Jules Henri Mordacq, Faut-il changer le régime? (Paris 1935) p. 170. See also André Geraud's article, "Gamelin" in Foreign Affairs, vol. 19 (January 1941) in which the most recent examples of this excess of conscience are shown.

in France. Moreover the opportunities for testing new weapons by tactical experiments were strictly limited. Therefore it is hardly astonishing that mistakes occurred with regard to the efficiency of new matériel.

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But most of these fundamental blunders would not have been possible if there had been a department for scientific research, or, in Liddell Hart's words, an "organ for thinking ahead." ¹⁹ If there had been such an organ, competent, influential and with the right to veto, it would have been able even without enormous technical facilities to establish realistic notions of modern war and to improve the preparations for war by regularly testing the continued validity of the doctrine. When Foch was director of the École Supérieure de Guerre, it was his aim "to arrive at the art of commanding by means of a scientific conception." Aside

¹⁹ Liddell Hart, cited above, p. 346: "The way that decisions are reached . . . is lamentably unscientific. It is due in part to the difficulty of developing a truly critical habit of mind under the conditions of military subordination, and in part to the lack of any staff organ devoted to research. The War Office has organs for research into weapons, etc., but not into the probable conditions of future warfare. Any military research . . . is no more than an incidental diversion on the part of officers who are busily occupied with day to day affairs. There [is] ... no synthesis of adequately established data to serve as a guide in framing policy." The first who seems to have recognized this problem was Sieyès in his "Rapport pour organiser le Ministère de la Guerre" in 1793. Similar proposals were made in Napoleon's time, if not for the infantry, at least for the other technical branches, especially the artillery and the engineers. At that time it was proposed to create two different kinds of officers, one to wage the war and the other to construct the matériel, or in other words to create an organization analogous to that of the navy. But Napoleon was not very fond of this idea: "I admit that a director of an artillery arsenal might be a very useful person. But I do not like to reward him as I reward a soldier who sheds his blood. I only reluctantly appointed Evain as a general of artillery, and I can't suffer officers who make their advancement in the bureaus. I know that one needs generals who never smelled powder-smoke. But I can't smell them." (See Gaspard Gourgaud's Sainte-Hélène, Journal inédit de 1815-1818, Paris 1899, note of December 8, 1816.) On the other hand, Napoleon did much for the advancement of artillery officers and considered them the only officers equal to the exigencies of modern warfare. In other words, Liddell Hart's proposal, right though it may be, seems to oppose the most characteristic features of soldiery. Military education, up to now, has not been intended to improve the knowledge of the officer, but only to strengthen his will and his character. This aim was certainly fulfilled by the French system-but in modern technical war it can no longer be the chief aim of military education.

from the fact that not a "conception" or a refined doctrine, but a broad scientific basis, was required in this connection, and aside from the fact that this conception was never scientific, certainly the school was not the right instrument to provide the necessary scientific basis. The right instrument should have been the General Staff, but "the General Staff with its present bureaucratic constitution is organized only to handle daily affairs and to prepare practical measures for execution; it is not empowered to make theoretical studies." Although this statement was made of the situation before 1914, it holds even more true for 1939 because technical problems have in the meantime offered increased difficulties.

Another very important cause for the failure of the French staff was that it did not adopt the method of alternative solutions on a wide enough scale. On the whole, operations plans were drafted with regard to different geographical possibilities, although some of the most probable theaters of war were most certainly disregarded: it is to be remembered that in 1914 no plan for the defense of Paris had been prepared. Alfred Vagts points out that "Foch admitted during the war that every part of France had been studied by the French staff and himself as a theatre of war-except French Flanders."21 The events of 1940 have proved that the pedagogical value of personal historical experience is minimal. In any case geography is not the only basis for alternative plans, but different strategy and tactics likewise must lead to different solutions. An army must be prepared to match the offensive of the enemy as well as the defensive, and it must be prepared to execute offensive, delaying defensive, retreat and counter-offensive operations. Since all these operations demand different tactics it is preposterous for an army to learn only one specific tactical form.

Surprises also can be met only with alternative solutions. As a matter of fact there is almost never a surprise in the sense of a

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²⁰ Trentinian, cited above, p. 50.

²¹ Alfred Vagts, A History of Militarism (New York 1937) p. 374.

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new technique about which nothing was previously known. The surprise is generally only in that the staff had not believed in the efficiency of the new technique. What was needed was a kind of militaristic Vaihingerism, and the staff should have had the attitude that surprises, in spite of their improbability, were possible. For, to quote Napoleon's words, "Genius consists . . . in finding few or no impossibilities."22 As a counter-weapon against military genius Napoleon left the following principle to his unfaithful disciples: "Avoir prévu tout ce que l'ennemi peut faire." According to Lieutenant Colonel Mançeau, who under the name of Emile Mayer was once famous as one of the few French officers who foresaw the stalemate of the World War and who rigorously opposed the theory of the offensive à outrance, war is well prepared only if the unpredictable has been foreseen. This principle is applicable of course not only to strategy but to technology as well. Therefore the French staff should have made preparations for the eventuality that de Gaulle's prophecies should prove to be right. Without any doubt it should have taken precautions for the period when anti-tank matériel was not yet available in sufficient quantities. The German onslaught could then have easily been stopped.

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One wonders why the General Staff did not itself try to improve its procedures. One reason is that no closed group, let alone any bureaucratic organization, is ever capable of self-reform without external impetus, chiefly because of the very strong framework of custom, vested interests, routine and prejudices.²³ French staff officers especially were permeated with an "exaggerated feeling of their knowledge, their importance and their rights," and had developed into a kind of clique.24 Hence they did not clearly see the weaknesses, which were never freely discussed and never systematically criticized by powerful controlling organs. The junior officers refrained from discussing the funda-

28 See Vagts, cited above, p. 11 ff.

²² Walter Geer, Napoleon the First (New York 1921) p. 367.

²⁴ See Trentinian, cited above, and Speier, "Militarism in the Eighteenth Century," cited above.

mental problems because such discussion might have entailed criticism of their superiors, and that might have been interpreted as violation of discipline. That exaggerated notion of discipline has a long tradition in the French army. Three days after he took over the supreme command of the army in May 1917 Pétain issued the following note: "For three years our officers have shown the most heroic courage. Nevertheless they hesitate to inform their superiors on all the difficulties of execution with which they are confronted, because they are afraid to be considered as cowardly. It is the task of the commanding officer to work against this tendency. Superior officers must receive their subordinates benevolently, and help them to find the necessary solutions. They must ask for useful information and even provoke it. . . . A benevolent attitude on the part of military chiefs conforms to the noblest traditions of the French army, and does not at all exclude firmness. . . . " In the present period, unfortunately, no such order was issued and it was generally disadvantageous for an officer to draw his superior's attention to pressing problems. An officer friend of Maurois' proposed the erection of fortifications along the river Scarpe, with the justifiable secondary aim of keeping his soldiers well employed. This was flatly refused because a German advance in this region was considered impossible, and the officer was accused of being defeatist. As Maurois rightly remarks, after a few experiences of that kind even the most zealous officers restricted themselves to routine matters.25

It must not be overlooked that the staff is merely an advisory body²⁶ which, in accordance with its bureaucratic organization, is not capable of making great decisions. These are the business of the high command. In this connection, an interesting fact which has not been fully appreciated is that many of the most important battles have been successfully waged by the commanders against the clear and definite advice of their staffs—for example,

²⁵ Maurois, cited above, p. 48.

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²⁶ General Paul Leopold Bronsart v. Schellendorf, The Duties of a General Staff (London 1893).

those of Waterloo, Marne, Calais in 1914, Verdun and Villers-Cotterets.²⁷

Why then was there no reformatory impulse coming from above? This question is answered if one knows how promotions were made in the French army. Officially promotions were based either on personal ability and courage recognized by superior officers—which practically means promotion by selection—or on seniority. If no post were available or if a post were refused to a determined officer because his superiors did not consider him fit, he had to quit the service after attaining a certain age limit. It is true that this principle was not too arbitrarily applied up to the middle ranks, even up to the lower levels of the higher ranks, but the promotion of heretics was limited and they were not given important posts. It was decided that Pétain's career should end with the rank of colonel, and that of Favolle, one of the five outstanding French soldiers in the World War, with the rank of brigadier general. Foch was removed from his post as director of the École Supérieure de Guerre when he disagreed with the doctrine of offensive à outrance, and for the same reason he was long out of favor, even during the war. The most famous French soldiers owe their careers entirely to the war, and not to selection, yet even during the turmoil of the war it was not easy to achieve promotion. Galliéni never acceded to the high command, although he was designated substitute. Foch and Pétain achieved the high command only after years of prevailing over enormous difficulties. Other superior officers who disagreed with the guidance of operations were removed, sometimes, as in the case of General Herr, in the midst of battle. Most of the best generals, men like Castelnau, Lanrezac, Franchet d'Esperey and Mangin had been forced on the staff, while many incapable officers had had easy advancement.

In peacetime only those officers were selected for the high ranks whose conformance to the doctrine was brilliantly convincing. Their brilliance was one of the reasons why the weak the Alt it wo we the

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points of the doctrine became continually less apparent, while at the same time the doctrine grew more and more convincing. Although in general this principle was applied quite ruthlessly it was supplemented (though not replaced) by patronage. In other words, although connections were required for promotion, they were of no avail unless the candidate was also acceptable from the military point of view. Connections were often established within the army by adherence to the same military creed. The most solid friendships originated in the École Supérieure de Guerre, where professors often determined the careers of their students.

For access to the highest ranks, political connections were indispensable and officers maintained close connections with the political world. Since devout Catholics were often suspected by parliament (for example, Castelnau, Foch and, later, Weygand) and since the nomination of a man like Pétain was for a long time refused by Poincaré because Pétain had officially criticized the administration of France, not a few officers tried to prove their loyalty by joining the Freemasons. After the Dreyfus affair the army consulted the lodges in promotions of men in the middle ranks, and the lodges even supplied the war ministry with a catalogue of politically non-reliable officers. The high ranks held in the Masonry by Joffre and Gamelin were one of the important reasons behind the nominations of both men as chief of the army General Staff. It must be understood that there is a serious problem here, because the military chief of a democracy must in truth be loyal to democratic institutions, but how can his loyalty be demonstrated except through political channels? In France, however, this problem was never solved in a rational manner: the one decisive factor in the higher promotions was the camaraderie between army and parliament.28 Ambitious officers made friends among the deputies and senators, whom they influenced, incidentally, with their military creed. (Compare, for

²⁸ See Robert de Jouvenel's excellent pamphlet, La république des camarades (Paris 1914).

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instance, the relations between Daladier and Gamelin and between Reynaud and de Gaulle.) The members of parliament, on their part, needed friends in the army to use influence on behalf of their re-election.

Many of the best qualified officers refused to spend their time getting themselves recommended²⁹ and went back into civil life. In addition, many of the most intelligent and reliable officers who remained with the army lost faith in their profession and became defeatist.

It is true that all promotions required courses of instruction, and sometimes examinations, although for the higher ranks the examinations were purely formal. Those who strove for the highest ranks studied six months at the Centre des Hautes Études Militaires. Students at this school, which had no permanent staff of lecturers, were nicknamed élèves-maréchaux and were chosen from the ranks between lieutenant colonel and brigadier general. The course in strategy included study of the positive elements of war (general organization of the nation during the war, economic mobilization, transportation, organization of frontiers) and the command and leading of operations,30 but even at the Centre only traditional strategy and higher tactics were taught.31 Highly competent persons lectured at the school, it is true, and most of the really important problems were included in the studies. But the six-month period allowed for the course was much too brief for the scope of the subjects. Mere understanding is scarcely sufficient to enable the generals to solve the problems with which they are confronted. Thus the school did no more than to enlarge the normal professional knowledge, and failed completely to produce officers with realistic understanding of and adaptability to the new conditions of war. This holds true even though some of the gradu-

²⁹ André Tardieu, "Le souverain captif," vol. 1 of La révolution à refaire (Paris 1936) p. 192.

³⁰ Intendant Militaire Laporte, Mobilisation économique et intendance militaire (Paris 1930). This book consists of lectures given at the Centre des Hautes Études Militaires.

⁸¹ Mordacq, cited above, p. 161.

ates of the Centre later taught at the École de Guerre or at the Centre itself, for their teaching served only to strengthen the doctrinal views they had already acquired.

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The highest body of the French army was the Conseil Supérieur de Guerre.³² It was composed of the army commanders, the généraux d'armées (who in peacetime held no command since peacetime commanding ended at the rank of général de division), the deputy chief of staff, usually the director of the École de Guerre and often a representative of any branch of the service not otherwise represented. (Joffre entered the Conseil only as the highest officer in the engineers.) The chief of staff was the vice-president of the Conseil, and the president—often absent—was the war minister, ever-changing but never properly trained.

The Conseil also failed to propose any reforms. Its members, who were selected only if they were strictly conformist, almost never saw the necessity for reform, and when they did recognize the necessity they did not know what to do about it. This lack of understanding was the logical result of their intellectual education, their advanced age and their habits. Besides, the need for reform was only rarely made clear by junior officers or by the famous Deuxième Bureau which made its own policy but whose duty it was to stress the faults in the army. It is true that in 1921 a Commission d'Études and a Secrétariat Général Permanent were created to animate the Conseil. Theoretically the Commission d'Études should have been Liddell Hart's "organ for thinking ahead," but actually it never came into real existence. The Secrétariat was to have been a sort of preparatory office for a later war government and was supposed to prepare for the unification of different departments and to provide for economic mobilization; but it also had only a paper existence. When war came economic mobilization, if any, was organized by the newly created ministry of armaments and by the ministry of national economy, and a war government was never formed.

³² L. H. P., "Le Conseil Supérieur de Guerre," Journal des Sciences Militaires, vol. 70 (1898).

The lack of executive and research organs was not the only reason that the Conseil Supérieur de Guerre was concerned only with theory: its members no longer participated actively in military affairs and hence they did not realize the significance of new developments, about which they sometimes lacked even theoretical information. The war minister, on his part, confined himself to the cutting of expenditures and the avoidance of unpopular measures. And finally, how could the Conseil act efficiently when it was never fully informed on the plans of the commander in chief?

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In summary, it is clear that the organization of the French army, with its inter-connections with other French institutions and vested interests, formed so rigid a system that no rapid and timely reform was possible. Even such energetic and experienced war ministers as Painlevé and Maginot could not remedy its worst defects. Clemenceau succeeded partially during the World War, but his reforms could not be consolidated. On the other hand, some of the worst weaknesses were consolidated in Painlevé's reform of 1927, and others were certainly added in Daladier's regime.

A reform from within the Conseil, with the help of staff officers of medium rank, was impossible because non-conformist officers never acceded to high rank and because these officers could not deviate from their regular routine.³³ As for the two chiefs of staff, they could never concentrate their activities on fundamental questions but had to deal constantly with politicians, politics and petty problems. Besides there was the danger that any valuable army reform might lead to general political reform, and the generals had to refrain even from discussion of such far-reaching

^{**}B**To what degree any attempt to improve the intellectual training of the army was hampered may be shown by the following passage from General Debeney's book, cited above, p. 245: "After the war, the encyclopaedic spirit broke loose in the army with extraordinary virulence. . . . Schools, courses, centers, stages grew up like mushrooms, and even a 'military university' was talked of. . . . I am proud that I have suppressed at least a half of these dangerous excrescences."

problems; for such interests on the part of the officers could well have been interpreted as preparation for a coup d'état and would have resulted in their removal. This may be an unusual, but nevertheless strong justification for the behavior of the staff.

The French military collapse was not primarily due to treachery or to a lack of morale or to the inadequacy of democratic institutions or to a lack of individual intelligence. It was due chiefly to the failure of organized intelligence. And since Archimedean points are lacking not only in physics, from a certain moment on no solution was practicable and catastrophe was inevitable. The fate of the French republic was along the lines of classical tragedy. When the inevitability of that fate became apparent, many of the actors, with knowing and open eyes, rushed toward destruction, some in suicidal despair, some in the hope of resurrection.

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GERMAN CENSORSHIP INSTRUCTIONS FOR THE CZECH PRESS

INTRODUCTORY NOTE

On September 25, 1939, in the fourth week of the war, the German censorship authorities in "the Protectorate" issued to the editors of the Czech newspapers a strictly confidential document of some twenty typewritten pages, which had to be returned after circulation under penalty of disciplinary proceedings. The summary published here was made at that time. It comes from a source which guarantees its authenticity, but which cannot be disclosed at present.

While the interest of these instructions is manifest without detailed analysis or interpretation, a few of their implications may be underlined. The instructions are extremely rigid. No loopholes are left. This indicates probably that the editors in charge of the Czech press were not reliable, in other words, that no Czech "National Socialist" or Fascist elite was at the disposal of the Nazis. If we take this factor into account we find that the firmly established principles of National Socialist press control and propaganda management have been applied to the conditions existing in a conquered territory and in wartime.

The most general of these principles concern a neglect of all commercial and competitive considerations. The publisher is supposed not to interfere with but to support the work of the editor. The position of the latter is peculiar. While rules are amply stated, and further elucidations promised, his responsibility is total and not limited by objective criteria other than the "supreme interest of the Reich." "Full responsibility" clearly means eventually "full culpability."

Censorship extends beyond news or comments to problems of translation, quotation, double meaning and inferences, to advertising of all kinds, to feature articles, to the chess column, the crossword puzzles and the obituary notices. The censorship administration is obviously familiar with the techniques of "subversive propaganda," which in the past has frequently used the feature or commercial columns of newspapers. Its knowledge of the methods of civil warfare is put to use in its methods of domination.

Among the restrictions one or two illustrate the gradation of media of communication. The fact that technical journals are not to be quoted shows that information for specialists or leaders and for the general public is not identical.

Other restrictions refer to the problems of immediacy. It is not per-

mitted to publish news which was passed some time ago: the situation changes. Thus the propaganda policy is subject to constant revision.

Not only the content of newspapers but their very wording is prescribed. The rules of copywriting are applied to references to Hitler, the war—in regard to Poland termed "reprisals for Polish attacks and provocations"—and the symbols of the past. In such ways principles of advertising play their part in press control.¹

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The care taken that censorship should not betray itself, and that the functioning of the machinery of control should remain unnoticed, reveals another aspect of the same principle. People may become accustomed to a control of which they are not made aware; they are supposed to forget the existence of the whip behind the scene.

The special situation existing in a conquered territory is best illustrated by the limitation of bold-faced type. "Nothing must be allowed to appear which might cause excitement."

The relationship to the past of the Czech nation is regulated in a similar way. No sign of German domination, of interference by the Protector, of German penetration is permitted to appear. A "positive attitude" toward the Reich is required, and such events as "changes in the management of important concerns or changes in the participation of the capital of a corporation" (in other words, the Germanization of economic life), may not be mentioned. No reference may be made to the theaters and universities handed over to German nationals. No conflicts between Czechs and Germans, no arrests and no suicides are to be reported. These regulations reveal the formula that terror must be silent. The obliteration of the past should be complete. The list of suppressed national symbols ranges from names (Czechoslovakia) to rituals (anniversaries).

The extent to which the censorship instructions are adapted to total warfare is illustrated by the new meaning of "military news." It comprehends, in addition to traditional items, all news on the supply of raw material and labor and all information on industrial and agricultural activity.

The importance attributed to military supervision is also reflected

¹ This is no isolated instance. Instructions to the German home press issued last spring show the same tendency. In reference to the attitude toward the Polish prisoners of war, employed as agricultural workers in Germany, it is said to be desirable that "instinctive repulsion" should be transformed into "lasting aversion." "This sentiment," the instructions are quoted as saying, "should not be expressed in fastidious articles but by sentences inserted here and there in the text." See News from Poland, a daily bulletin of news and comment, No. 219, April 6, 1940.

by the administration of the censorship. Three kinds of institutions are mentioned: the home censorship, which works in close contact with the editor; the Central Press Bureau, acting as a supervisor; and, independent of both, the military censorship. So far as civil life is concerned, the press conferences of the editors and censors with representatives of the Protector seem to be the highest authority. These conferences may play a part similar to that of the press conferences at the Wilhelmstrasse in Berlin. The translator informs us that "There is a military court at the entrance of the Central Press Bureau, and the building is full of Gestapo men, uniformed and in plain clothes."

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SUMMARY OF TEXT

1. The Role of the Press is to form and lead the uniform public opinion in the sense given of the life interests of the Reich, the Protectorate and the Czech nation. The state of war compels the Reich, while suppressing all party and personal interests, to concentrate all available moral and material forces on her military and diplomatic aims. All material considerations of the Publishers and all considerations of competition must be disregarded. Technical and material difficulties as well as possible financial losses are a matter of indifference, and must not be taken into consideration by the Censor. The Editor is responsible for the entire content of the paper, including the advertisements and the correctness of the print. The Publishers must do everything in their power to enable the Editor to fulfil his task and to be able to take the full responsibility. The contents and makeup of the paper, as well as the individual news items, must correspond to given instructions. A special correspondence service will be issued for the provincial Press, who have to print it as their own editorial work, and must not in any way indicate or disclose its official character. This correspondence should not be used by the large daily papers.

2. The Press Control Service (TDS = Tiskova Dozorci Sluzba). The task of the TDS is to cooperate with the Editors, in order to prevent any conflict with these or future regulations. The Central Press Bureau (UTDS) is in Prague, Lutzowova 5, where a day and night service is maintained. There are branches at Pilsen, Brno, Olomouc and Moravská Ostrava. On each of the individual papers there are TDS officials, so called Home Censors, whose task it is to

remove all obstacles by means of friendly contact with the Editor and members of his staff. In case of doubt they obtain the decision of the UTDS. Together with the Editor, they are responsible for the contents of the paper which, however, must pass the additional censorship of the UTDS or one of its branches. The remaining Press, with the exception of the daily papers, is censored directly by the UTDS, or one of its branches, or by the Press Officials of the local Authorities, who obtain instructions from the Oberlandrat through the local Civil or Military Authority, etc. Instructions can also be given by the wireless of the official Press Bureau. Pictures must be submitted to the censorship of a special department of the UTDS.

3. Responsibility for carrying out these regulations lies with the respective Editors of the papers and officials of the TDS. Any attempt at evasion or violation of given instructions will have serious consequences for them individually, as well as for the people. It is immaterial whether the infringement arises intentionally or from negligence, by mistake or by an oversight, the deciding factor is the extent of the harm to the supreme interest of the Reich. It is, therefore, advisable to ask for repeated instructions in case of the slightest doubt. In addition to written regulation, further instructions will be given at Press Conferences of the Editors and Censors with the representatives

of the Protector of the Government.

4. General Principles. Suppress everything which is in contradiction to the general task formulated under 1. Pay attention to the makeup, headlines, placing, as well as to hidden meanings, innuendos, substitutes, hints between the lines, possible double meaning, etc. Headlines must not distort the news or strive for a sensational effect; the largest type allowed for headlines is five-eighths of an inch. Nothing must be allowed to appear which might cause excitement or a disturbance, or into which a double meaning could be read. Ambiguity is an especially treacherous form of sabotage in regard to public opinion, and will be treated as such. Suppress everything which might jeopardize public order. It is necessary to bear in mind the legal regulations of the Reich, in so far as they have been made valid for the population of the Protectorate. Search for hidden and double meanings in the feuilletons, cultural columns and economic supplements, chess and sporting columns; crossword and all other puzzles must be submitted with their correct solutions,

In case of doubt, only an official news item may be published. News from the official Press Bureau, including economic and sport news, is free. It is not sufficient to prove that the news has already appeared in some other paper. Quotations from official German articles and newspapers are freely permitted, but the correctness of the German translation must be verified. Public announcements by the Reich Military Authorities or by the Authorities of the Protectorate are to be published only on special permission and in places intended for them. Announcements by local Authorities or Police news only when supplied by the official Press Bureau. Sometimes it may be necessary to suppress even official news or news already passed by the Censor. In such cases it is necessary to proceed without regard to material losses arising as a result. It is necessary to bear in mind that a situation changes from day to day and what was free for publication yes-

terday may not in principle be free today.

Not everything that may be published in a technical publication is free to be published in the daily papers. [Among the list of technical publications are such documents as the statistical returns of the State Statistical Office, returns of foreign trade, publications of the Chamber of Commerce, of the Czech Agricultural Academy, the official journals of the Ministry of Transport, of the Social Insurance Institute, the National Bank, the Ministry of Public Works and the like.] Reports of public competitions for contracts for public works and their assignment are absolutely forbidden. Announcements of the postponement of meetings and similar public engagements are allowed in the press unobtrusively. Special editions of papers only on special permission. On the other hand, the necessity to publish special editions by command calls for being on duty even on Sundays. Nothing must be published about movements and positions of troops, and all news about military matters must be submitted to the Military Press Control Department. No criticism of the censorship must be allowed to appear nor is it permitted to indicate that a censorship exists.

5. Extraordinary Conditions. With regard to these it is necessary to keep to the latest official information. Any reference to the following matters is forbidden: the capacity and output of industrial concerns, the number of personnel employed and any changes in the latter, unemployment figures, the consumption and price of coal, gas and electricty, changes and interruptions in their supply, problems of alimentation, ration cards, transport, rail and road building and its location, changes in the railway timetables, transport difficulties, delays in delivery and all news of directly and indirectly military nature. In these matters only official announcements supplied by the official

Press Bureau, or specifically approved, may be published.

In no cases may any mention be made of the following matters:

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transport of prisoners, constructions being carried out in important undertakings, movements of traffic on the railways and roads, fires and losses caused by them, stoppage or increase of work in different concerns, the taking on of new workmen, the construction of the Reich's Autobahn, the yield of the harvest, sowing conditions, black-out and other air raid precautions, the state of employment or unemployment, or any economic news items unfavorable to the Reich or the Protectorate, any increase in the cost of living, news of shortage of various articles, wage returns. Special attention must be paid to advertisements. Photographs of airplanes must not show their numbers. News from the Front only in columns allotted for this purpose.

The word "war" must be used as sparingly as possible, especially in headlines; preferably the expression "state of war" is to be used. In relation to Poland it is neither a "war" nor a "state of war," but "reprisals for Polish attacks and provocations." No weather news or weather maps are allowed to be published, nor anything in connection with the arrival of military trains, starts and aims of military airplanes. The communiques of the High Military Command must be printed verbatim, without changes or commentaries. No two such communiques must be joined together. News about military preparations and actions of other countries may be published only if supplied by the DNB through the official Press Bureau. Theoretical articles on military, strategical and tactical matters may be published only after preliminary permission. Nothing about physical training, etc. News supplied by economic agencies is forbidden on principle.

6. The Reich and the Protectorate. The Press must maintain a positive attitude toward the Reich and its officials, and must suppress everything which might create an impression of a feeling of rancor. Hitler must always be mentioned as "The Führer and Reichskanzler." His speeches must always be printed verbatim, and in a prominent place (on the first page of the paper). News dealing with the intentions or action of the Führer and his highest officials may be published only if supplied by the Official News Agency; the same applies to items dealing with actions, intentions, speeches and movements of the Reich's Protector. No news must appear about the interventions of the latter or of his officials in matters concerning the Protectorate.

Newspapers must pay closer attention to the social, economic and cultural institutions of the Reich. They must not, however, compare alimentary and similar conditions of the Reich with those of the Protectorate. Nothing must appear which might damage the reputation of the Reich or which would throw a bad light on the position of the

Protectorate within the Reich, or which would indicate a desire for a change in relations between the Reich and the Protectorate, or between the German and Czech nations, whether it be done directly or indirectly, or in the form of criticism or polemics. The same applies to items which could have a harmful effect upon the political, economic or cultural development of the Reich. In all items touching upon the relations to the Reich and to the German nation careful attention is to be paid to the possibility of their containing side tendencies and ambiguities. It is forbidden to judge or criticize the activity of the Protector or his Organs. Officers of the former Czechoslovak Army may not be photographed in their uniforms, and must not be mentioned with their former rank. It is not permissible to print news items from the Reich as foreign news, or to place them in the foreign news columns. Reports or hints about the activity of the Gestapo or German Authorities in the Protectorate are forbidden.

In regard to Germans living in the Protectorate who are now direct citizens of the Reich, the same rules apply as those applying to the Reich. The use of both languages, or, in some cases, of only the German, for public announcements, decrees and signs, must not be criticized, and attention must not be called to it by reports, news items or pictures. All news or reports of incidents, quarrels, brawls or fights between Czechs and Germans are to be suppressed. No criticism of the establishment of German administration in some towns is allowed. The attention of the public must not be called to the return of the Prague Estates Theater to the Germans or the settlement effected between Czech and German Universities in Prague. No reports of acts or public utterances must be published which might be interpreted as demonstrations against the Germans or the Reich.

In judging events abroad and matters of foreign policy the Press must bear in mind that the Protectorate forms part of the Reich and that its relation to foreign countries is given by the Reich's relation to them. No independent demonstrations of sympathy or antipathy, be it even in hints, or fictitious criticisms or polemics, are permissible. The relations with Italy and events there must be judged from the point of view of the Berlin-Rome Axis. Reports of international acts for negotiations, having reference to the Protectorate, are permissible only if furnished by the official Press Bureau. No reference in whatever form, even in the form of fictitious criticism, is permitted to the actions or declarations of some of the personalities of the former Republic who are now abroad, except in the forms supplied from official places. No attacks on the Slovak Government will be tolerated.

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It is not permitted to use the designation "Czechoslovak" or "Czechoslovakia" except when it refers to the past. Reports about journeys of foreign statesmen or foreign trade delegations are permissible if furnished by the DNB. All quotations from Czech poets and authors into which it could be possible to read a tendency conflicting with these principles are to be avoided. In the sport, chess and amusement columns of the paper it is necessary to refrain from everything which might create an impression of disrespect toward the German nations.

7. Economic and Social Matters. Economic analyses and prognoses must comply with the basic tendencies of the Reich and the Protectorate. Advertisements must not use phrases relating to public events (such as "the only way to deliverance" or "a national catastrophe," etc.). Only official reports on foreign trade relations are permissible. No mention must be published of Stock Exchange movements, of the sale of securities, of bank deposit books, private reports concerning the moratorium, criticisms of the activity of Government regulation of the Stock Exchange. All news items, advertisements and hints which could create the impression that there is a lack of articles for everyday need must be suppressed. The same applies to reports of increased demands and prices. The Press is to exercise its influence against the hoarding of foodstuffs and other materials, and must spread confidence in official rationing. No mention must be made of wages or of prices. No comparison of wages and prices in the Reich and in the Protectorate is allowed. In regard to meat, only the price may be published, without mention of supplies. Nothing must be published about future regulations regarding public debt, taxes or monopolies. No criticisms must be published of the conditions of employment or management of state institutions, or of social establishments. No private reports must be published regarding changes in the management of important concerns or changes in the participation of the capital of a corporation. All reports of wage disputes, strikes or lock-outs, etc. are to be suppressed, as well as all reports of anti-Jewish economic measures, in so far as they are not supplied by the official Press Bureau. Great care is to be given to advertisements which, with a few exceptions which are enumerated, are not allowed to contain more than one set of figures. Nothing about output or about the number of persons employed. Obituary notices are permissible only when there is not the least doubt of their genuineness and the identity of the applicant. Care is to be taken in regard to advertisements of doctors and picture theaters, whose genuineness must also be beyond

doubt. The management of the newspapers is held responsible for the contents of the advertisements.

8. Internal Forces of the Protectorate. Only official reports of journeys and speeches by members of the Government or of intended administrative measures are permissible. It is forbidden to write about decrees and provisions which can become valid only with the consent of the Protector before their official publication. All criticism of the Government, of the Administration, its Organs or Officials must be suppressed, as well as appeals to the Government or ambiguous or malicious hints, or ridicule of the Government or its Members or Organs. Only official reports of meetings of the Committees of the National Unity Party may be published. The same applies to reports of changes in meeting places of the National Unity Party and of reasons for these changes. Anniversaries may be celebrated or mentioned only with official permission and they must not contain any tendency which is unfriendly toward the Reich. It is inadvisable to publish notices or reviews of English, French or Polish books or films. Reports of illegal actions, secret meetings and illegal pamphlets must be suppressed and sent immediately to the UTDS. No mention must be made of suicides and arrests, or of disturbances and incidents. Foreign newspapers may be quoted only if the quotations come from the official Press Bureau or if they have been previously approved.

9. Rules of Procedure. Offending news items, articles or paragraphs must be removed so that the reader does not recognize that they have been censored. Suppressed articles or news items must be replaced by new material so that no blank spaces are left. For that purpose suitable material must be kept in reserve, preferably items supplied by the official Press Bureau. Proof sheets of the paper must be sent to the UTDS in time, Sunday supplements no later than Thursday. The sign " must not be used among marks indicating authorship, since it is reserved for official news. Final printing of the paper can be started only when approval of the whole paper has been obtained from the UTDS. All pictures, photographs and so on destined for publication must without exception be submitted to a separate preliminary censorship of the UTDS, together with the exact text with which they are to appear. Approved originals of the pictures are to be kept for reference, to be submitted to the Home Censor at time of insertion in the paper. In their censorship the officials of the UTDS use brown pencils, the German Military Censor uses red and green,

the Home Censor uses blue and violet.

BOOK REVIEWS

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SHRIDHARANI, KRISHNALAL. War Without Violence. A Study of Gandhi's Method and its Accomplishments. New York: Harcourt, Brace. 1939. 351 pp. \$2.50.

The author of this book marched with Gandhi to the sea in 1930 and is an enthusiastic Satyagrahi; that is, one disciplined to engage in "non-violent resistance or direct action" as practiced by the followers of Gandhi. The book, however, was written as a dissertation in sociology at Columbia University, and undertakes to present the case for non-violent direct action in factual rather than in emotional terms. Its challenge is tremendous but perhaps not so simple and clear-cut as the author appears to believe.

He believes in negotiation and rational give-and-take. But when these fail to resolve serious conflicts, must men resort to violence? It should be understood that non-violent direct action is here presented as an alternative way to victory, and not as a form of resignation or of giving in. It does not stop with pacifist objection to war, but provides an alternative method of aggression. Hence Dr. Shridharani views it as "war without violence," and he advances its superiority over war and violence on grounds of "its higher efficiency" and not because of the moral sanctity of non-violence per se. Satyagraha has the following powerful advantages over armed conflict: it is less destructive of life and property; and it is more likely to produce "a just settlement," because "its compelling force is aimed at converting instead of destroying the opponent." Surely the author is right in saying that these advantages "happen to be desperately sought by the majority of civilized human beings at the present time." At least they are desperately needed.

Dr. Shridharani offers his reader three things: first, an account, both systematic and concrete, of "Gandhi's method and its accomplishments"; second, a discussion of the background and sources of this method, its relation to Indian tradition and conditions; third, a defense of the method as of more general validity for mankind in dealing with social conflicts.

The illustrations offered by Satyagraha in action bring little new information. The author's material, though touched here and there by his own experience, is mostly excerpted from familiar accounts of Gandhi's career in South Africa and in India. In his first chapter Dr. Shridharani does, however, contribute a more systematic account of "the technique of Satyagraha" than has been presented before. He

follows the natural development of a campaign of non-violent direct action through the following phases: (1) negotiations and attempted arbitration; (2) agitation; (3) demonstrations and the ultimatum; (4) self-purification; (5) strike and general strike; (6) picketing; (7) dhurna or sit-down; (8) economic boycott; (9) non-payment of taxes; (9a) hizrat or mass migration; (10) non-cooperation; (10a) ostracism; (11) civil disobedience; (12) assertive Satyagraha tending toward the setting up of a "parallel government." This analysis conveys a needed sense of the extensive organized mass action involved in waging a war without violence.

But Satyagraha is not just a matter of bringing together so many non-violent techniques of exerting mass pressure. As a dynamic pattern of behavior it must be generated from social and psychological conditions that support it. And the question has often been raised whether such conditions are not peculiar to the culture of India. Dr. Shridharani discusses at considerable length the special Indian sources of Satyagraha, but he is convinced that western peoples can achieve the essential disciplines for practicing non-violent direct action as a social method without the same cultural background. His account of the influence of various religious teachings upon Gandhi personally, in his chapter on "the folklore of non-violence," is more casual and lacking in precision than was necessary. But in his next chapter on the "emergence of Satyagraha" his comments on why the Indian people responded so readily to this method are much more thoughtful. In the first place, he gives due emphasis not only to long established institutions and teachings, but also to the very pertinent fact that the Indian people have been virtually disarmed in modern times. With regard to the sources in tradition he makes a very interesting distinction. He believes that caste, karma and ahimsa (non-injury) "have contributed more or less negatively to the emergence of Satyagraha," by engendering "an aversion to violence in the mind of the Indian." But he finds powerful support for non-violent direct action as a positive method in still earlier strata of Hinduism, that is, in the monistic idea of "one truth as the final reality," in "the Hindu conception of the divinity of man-the Atman-Brahman equation," and above all in the age-old faith in the power of sacrificial suffering.

It is on the last point that Dr. Shridharani lays repeated emphasis. In fact, in his view, the effective core of Satyagraha is "conscious suffering and not mere moral suasion." By inflicting suffering upon him, war seeks to break the enemy's will, to subdue or destroy him. Satyagraha also draws fundamentally on the power of suffering. But "by

inviting suffering from the opponent" it aims to compel in him "a change of heart, and the consequent redress of the wrong."

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These formulations suggest several queries. To what extent does the effectiveness of inviting suffering in order to change an opponent's heart depend on the merits of one's cause? Satyagraha may be a method particularly well suited to redress wrongs, and yet less qualified to supplant war as a way of contesting more ambiguous issues. Dr. Shridharani uses a classification of social conflicts according to the size and organization of the parties involved, but he explores no distinctions in terms of types of issues, Nevertheless, throughout his book it is clearly the situation of a subject people, and more especially the case of India, that dominates his thinking. Indeed, "Revolution Without Arms" might be a better title for the book than "War Without Violence," inasmuch as the theme seems to be a method of revolution for unarmed people to use against armed authorities rather than a non-violent method of waging war in general. Satyagraha, or some variation thereof, may well become less peculiar to India if other peoples throughout the world are disarmed and ruled as subject peoples by great military empires.

If it be true that the effectiveness of Satyagraha is limited to fighting relatively just causes, then this restriction is, in a sense, a tribute to its beneficence as a method. But if this be not true, and if it is possible to wear down an opponent by non-violent direct action, regardless of the merits of the cause, then another part of Dr. Shridharani's argument can be called into question. One can scarcely dispute with him that war is likely to leave the contestants in a poor condition to make reasonable settlements. But one must ask whether non-violent direct action may not also be pursued against reason and to its eventual frustration. The monistic doctrine of one truth as the final reality has furnished a background propitious to fanaticism as well as to reason and science.

Dr. Shridharani has no doubt thought of these questions, but he does not discuss them in his book. He does, however, say that no social technique, violent or non-violent, can be successful in itself, independently of the resources, intelligence, experience, number and quality of the manpower with which it is employed. This is very wise, and one can only hope that the enthusiastic Satyagrahis who have benefited from Gandhi's benevolent leadership will remain mindful of it. Because of the good judgment shown on such points, one is the more puzzled to understand why the author occasionally likens Satyagraha to such institutions as our CCC camps and the work-army

proposed by William James as a "moral equivalent for war." The latter are not methods of social conflict, which is the aspect under which Dr. Shridharani has presented Satyagraha. Perhaps the comparison occurs to him because of other social service phases of Gandhi's methods that are not discussed in this book. And perhaps the question should be raised whether the aggressive power of non-violent direct action can reach great efficiency except as part of a more inclusive social process with many constructive aspects. The book is not in any respect a complete study, but it introduces an exceedingly fertile perspective for the further consideration both of Indian affairs and of the more general problems of mass struggle everywhere confronting the world.

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CROSSMAN, R. H. S. *Plato Today*. New York: Oxford University Press. 1939. 311 pp. \$2.50.

The intention of this book is described by the author in the following terms: "I am a democrat and a Socialist who sees Fascism rejected and democracy defended on quite inadequate grounds; and it is because I realize that our greatest danger today is not the easy acceptance but the easy rejection of Totalitarian philosophy, that I have tried to restate the Republic in modern terms" (p. 296). By making use of the teaching of the Republic the author is enabled to grasp with unusual clarity the shortcomings of present-day democracies as well as of the political creeds and institutions of the Right and the Left. Yet he vigorously denies that Plato's work can supply us with an acceptable alternative to the solutions suggested by present-day movements: "The more I read it [the Republic], the more I hate it" (p. 292). The perfect government in the Platonic sense, the "dictatorship of the virtuous Right," is of necessity "transformed into a polite form of Fascism" (p. 285), and Plato himself was "a reactionary resolutely opposed to every principle of the Liberal creed" (p. 130). Accordingly, the last word of the author is: "It is Socrates, not Plato, whom we need" (p. 308).

Plato Today stands or falls with Crossman's distinction between a Socrates "who knew that he knew nothing" and a Plato who was "the systematic expounder of an authoritarian creed" (p. 90). But this distinction, as expounded by the author, coincides more or less with his distinction between two groups of Platonic writings: the Apology of Socrates and the Phaedo on the one hand, and the Re-

public and the Seventh Letter on the other. And he fails to inform his readers why he is so certain that the political teaching of the Republic is Platonic and not Socratic, and that the "Orphic religious faith" expounded in the Phaedo is genuinely Socratic.

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It would be most unfair to Crossman, however, to create the impression that his main concern was to write a detached or completely satisfactory interpretation of the Socratic or Platonic teaching. The truly valuable part of his book is the five chapters in which he shows how Plato would have judged, or might have judged, of the most important political facts of our time. He must be congratulated upon the excellent use which he makes of the poetic device of reviving a dead hero and making him talk (or write). Plato's Socrates was unable to do full justice to Protagoras before he had resuscitated him. In a similar way Crossman, in the five chapters devoted to the resuscitated Plato, often makes visible the commonsense and moderation of Plato which he implicitly denied him in the other chapters of the book by taking the Republic of the dead Plato quite literally. To mention only one example, Crossman's Plato says to a member of the English Parliament: "I should assume in talking to you that your ideals are sound. Of course they are not, but they are less vicious than those of most other nations which I have visited" (p. 144). I am inclined to believe that statements of this kind come nearer to the real intentions of the Republic than anything Crossman says in his explicit account of that dialogue.

LEO STRAUSS

JAEGER, WERNER. Paideia: The Ideals of Greek Culture. [Translated by Gilbert Highet, from the second German edition.] New York: Oxford University Press. 1939. 420 pp. \$3.75.

In October 1933 Werner Jaeger wrote in the preface to the first edition of this book: "Although many scholars have undertaken to describe the development of the state, the society, the literature, and religion, and the philosophy of the Greeks, no one seems to have attempted to explain the interaction between the historical process by which their character was formed and the intellectual process by which they constructed their ideal of human personality." Realization of this connection, Dr. Jaeger urged, would provide an insight into the dynamics of the Greek being. Convinced that the personality types which the generations endeavored to embody in their lives and conduct were defined and passed on verbally, rather than by any of the other arts of expression and communication, Dr. Jaeger employs the creative

literature of the Hellenes as the fundamental material of his interpretation of their successive efforts to mold character. This literature, more than anything else in the Greek story, "explains the life of [Greek] man" and "represents his ideals."

Accordingly, the two books constituting this volume of the Paideia interpret the evolution of Greek culture from the early beginnings to the collapse of the Athenian empire. The volume starts with Homer and ends with Thucydides. It presents itself as a social ecology of origins, functions and achievements. It sets Homer, Hesiod, Tyrtaeus, Archilochus, Simonides, Mimnermus, Alcaeus, Sappho, Theognis, Pindar, Solon, Aeschylus and Sophocles, Euripides and Aristophanes, the Sophists and Thucydides in their dynamic settings. It shows their works as functions of the society in which they live and move and have their being, as reactions to its perplexities and as redefinitions of its ways of life and forms of personality. It shows how these are used as gradients for the reeducation of the generations, as patterns of character and molds of form. Poems and prose works became, that is, the paramount instruments of education, the most potent vehicles for the conservation and transmission of the community's physical and intellectual character. This character is a culture, and for the Greeks culture was education, education was culture, the way in which the form and intent of the community are incarnated in the individual. This is why it continued to be called Paideia.

Unfortunately there is not space for even the baldest summary of Dr. Jaeger's eloquent, wise and moving presentation of the rise, the struggle and the displacements of the succession of personality usages which the Greek literature depicts and Greek society fought to embody. The most momentous types are those which emerged as exemplifications of the mind of Athens and which fall between the upsurge of Athenian energies with the Persian wars and their dissipation through the Peloponnesian war. In reading Jaeger's interpretation of the confrontation of Athens and Sparta, and of the consequences of that confrontation as evinced in the affirmations and judgments of the playwrights, the historians, the teachers of embattled Athens, there comes an illumination, as of a strong, cool light, of the values which are at death grips in our own times. Incommensurable past and present may be, even as Spengler says they are, but it is difficult not to feel that the Peloponnesian war is being fought over again, on a worldwide scale. Perhaps this analogy suggests itself only because one who is of the twentieth century of the Christian era cannot fail to make over the fifth before that era into the image of his own time. But I

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do not choose to believe this doctrine. If it were true, it would make of history a fatuous illusion, and would deprive the past of all significance for the times to come. To me, Jaeger's treatment of the Greek past is a classification of the worldwide present, and I applaud it not only as such, but as a bringer of new insight into the glory that was Greece.

H. M. KALLEN

BOODIN, JOHN ELOF. The Social Mind. New York: Macmillan. 1939. 593 pp. \$3.50.

This book is an organization of partially rewritten occasional pieces, composed and published during a quarter of a century. Although it exhibits, as all such assemblages must, the inconsistencies, redundancies and repetitions intrinsic to the species, the book makes a growing argument on a well-worked-out and firmly held philosophy of society. I do not share this philosophy but I own to a warm admiration for the urbanity and reasonableness with which its proponent expounds it. John Boodin belongs to the generation of liberals which reached maturity before the first World War. Heirs of what was most generous and abiding in the Genteel Tradition, they gave direction, form and purpose to the morally most hopeful expression of the philosophic faith which found utterance in that war.

The fifteen essays composing this book are Boodin's personal version of that faith, carried into the second World War. They build up his argument regarding the existence of social minds in a progression from "the biological basis of society" to "social immortality." The key chapter, as the author himself points out, is the fourth, on "the existence of social minds." Boodin is sure that social minds exist. He establishes their existence by an analogical argument which constructs the nature, build and behavior of social minds according to what he assumes to be the design and life-plan of individual minds. Society, he indicates, is not the organism Spencer thought it might be, but a psyche, and understanding society requires not biological but psychological perception. Boodin's perceptions lead him to posit the social mind as a "creative synthesis," an evolutionary "emergent" resulting from the compounding of individual minds into novel wholes which, once emerged, continue to exist "independently of individual bearers . . . imbedded and swept on all the while in the evolutionary process of the universe." Social minds, in their turn, compound with one another, to make up, all together, a sort of voluntarist modification of Fechner's panpsychic hierarchy. The individual psyche, which at one

pole of the argument is treated as the element that compounds into social minds, becomes at this pole merely a dynamic "intersection point in enveloping and overlapping social minds."

The contrast involves an ambiguity of definition of the whole-part relation which seems to me to pervade Boodin's entire argument and to constitute its essential weakness. Nor do I find it strengthened by the uncritical and honorific use of the term "emergence," which from its first appearance has seemed to me only a new word for the old problem, not a solution of it. Nor do I find Boodin's argument made more convincing by his mystical postulate of "intersubjective continuities" or "immediate consciousness of mental responsiveness." The doubt with which the book leaves me follows especially from this resting of the existence of social minds upon a quasi-mystical intuition, beyond such logic of demonstration as Boodin employs.

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INTERNATIONAL ENCYCLOPEDIA OF UNIFIED SCIENCE. Vol. 2, no. 4, Theory of Valuation by John Dewey; 68 pp.; \$1. Vol. 2, no. 5, The Technique of Theory Construction by J. H. Woodger; 81 pp.; \$1. Chicago: University of Chicago Press. 1939.

In an earlier issue of Social Research (vol. 6, no. 3, September 1939) I outlined the scope of this Encyclopedia and reviewed the six booklets published up to that date. The prevailing political conditions have rendered it impossible to have the first two volumes (jointly titled Foundations of the Unity of Science) completed by the scheduled time. Only two monographs of the second volume have appeared during the past year. Both are important contributions to the volume.

Professor Dewey gives a very clear account of his pragmatistic theory of valuation. His chief results are: "(i) that the problem of valuation in general as well as in particular cases concerns things that sustain to one another the relation of means-ends; (ii) ends are determinable only on the ground of the means that are involved in bringing them about; and (iii) desires and interests must themselves be evaluated as means in their interaction with external or environing conditions" (p. 53). These findings are attained by an admirably organized process of argument in which opposing aprioristic and empiricistic doctrines are subjected to sharp criticism. I would not be ready to accept without modification all the arguments offered, but I can hardly conceive of a better basis for a thorough discussion of the problems involved.

The brief concluding section, "Valuation and the Conditions of Social Theory," will be particularly illuminating for the social scien-

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tist. I should like to draw the reader's attention to the noteworthy remark on page 65 that "the split between the affectional and the cognitive is probably one of the chief sources of maladjustments and unendurable strains from which the world is suffering," and that accordingly the practical problem will be "the establishment of cultural conditions that will support the kind of behavior in which emotions and ideas, desires and appraisals, are integrated." It seems to me that this ideal is close to the moral ideals of great rationalistic philosophers ever since Plato, and that their ethical apriorism can be explained in terms of it. They believe, that is, that these ideals are somehow preestablished in a transcendent realm. But it is possible to reinterpret these doctrines by replacing the concept of pre-established values by that of ideals of, or regulative principles for, human conduct. Kant's approach to the problems of moral philosophy is along this line. I wonder if Professor Dewey's rejection of the aprioristic value philosophies (and also his criticism of Aristotelian logic) might not have been less uncompromising if he had analyzed them from this angle.

The monograph by Professor Woodger, who is the author of Axiomatic Method in Biology (Cambridge 1937), aims to show how modern mathematical (or symbolic) logic, and the postulational method linked with it, may facilitate the comparison of alternative theories, and thus promote the unification of science, by formulating these theories in a common language which is capable of revealing their interrelations. To this end he axiomatizes a biological discipline in order to make clear how the method works. The logical symbolism applied is, broadly speaking, that of Whitehead-Russell's Principia Mathematica. The author has been influenced also by Carnap's analysis of the relations between a theory and its corresponding metatheory, a generalization of David Hilbert's distinction between mathematics and metamathematics. The reader who has not studied symbolic logic is likely to become frightened at his first perusal of this monograph. But it is not too difficult to acquire an understanding of its symbolism. The question is, of course, whether it is worth while for the non-professional logician, engaged in methodological work, to acquire it. I would say that it is, though I do not believe that this symbolism is likely to revolutionize scientific thinking, as some of its more ardent, if not most competent, propagandists believe. Professor Woodger, who is really competent, does not overestimate the function which it may be expected to fulfil in the future development of science.

This is made perfectly clear in the last two chapters of his essay. The universal notation which he advocates is not intended to replace the major part of the activity of scientists, but it should serve the purpose "that the purely mechanical part of their theoretical work can be done by machines and the theoretical workers are set free to devote their energies to the important task of devising new hypotheses" (p. 80). The attempt to construct such a notation would be confronted with great difficulties, especially in the social sciences, where the meanings of most of the terms in actual use are rather vague; but these obstacles should not prove insurmountable.

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HUSSERL, EDMUND. Erfahrung und Urteil—Untersuchungen zur Genealogie der Logik, ed. by Ludwig Landgrebe. Prague: Akademia Verlagsbuchhandlung. 1939. 478 pp.

In the preface to this book Dr. Landgrebe reports on its genesis. In 1928, as Husserl's assistant, he was asked to compile and organize for publication Husserl's manuscripts on transcendental logic. Landgrebe worked out a first draft and Husserl began an introductory chapter in which he meant to show the position of transcendental logic within the framework of his phenomenology. But this intended introduction developed in the course of a few months into his great work, Formale und transzendentale Logik, published in 1929. Thus Landgrebe had to work out a new draft in which there was to be continuous reference to the Logik. This was finished in 1930, revised by Husserl and intended for prompt publication. But, occupied with other philosophical problems, Husserl postponed making the finishing touches. Five years later he authorized Landgrebe to do this. New revisions were made and Landgrebe wrote a masterly introduction (pp. 1-72) which was discussed and approved by Husserl; but when the book finally appeared its author had passed away.

It would be futile to attempt to give in a few hundred words an account of the profound analyses of this work. I shall have to confine myself to offering some hints which may facilitate an understanding of the fundamental ideas on which it is based.

Positive science and the traditional logic closely linked with it contain many interrelated presuppositions which are not subjected to any further analysis but are simply taken for granted. Yet they are amenable to further analysis; Kant's Critique of Pure Reason is the greatest systematic effort in this direction. While accepting the term "transcendental," by which Kant designates this type of analysis, Husserl proceeds in his transcendental phenomenology not along the lines of Kant's chief work but, rather, closer to that of Descartes.

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Phenomenology strives to reveal the ultimate source of all human knowledge by inaugurating a method of radical reflection by the thinking ego upon its own stream of consciousness, in which all knowledge, prescientific and scientific, originates. Through this reflection it is established that the results of the activity of thinking —that is to say, the *meanings* of human thoughts—are interrelated in a much more complex way than psychology and philosophy have thus far realized. If we ask ourselves, for example, what we mean by speaking of a physical thing now being at a certain place we find that an indefinite number of assumptions about our own and others' possible perceptions are implied. This is recognized also by the empiricistic doctrines, but their analysis of these implications ends precisely at the point where phenomenology commences. They regard the objective world as simply "given," and interpret any "subjective" experience in terms of it, whereas phenomenology aims at understanding the meaning of "objectivity" in terms of such experience.

In dealing with the problems involved one finds that different "levels" or "strata" of experience must be distinguished from one another. At the higher levels the results of the constitutive processes of lower levels are presupposed, that is, simply accepted. Applied to logic this analysis shows that while "knowledge" in the strict sense and, more specifically, "scientific knowledge," is defined in terms of logical canons, logic itself points back to experience at a deeper level, called receptive experience. It is the process of the formation of logic from receptive experience which is dealt with in this book. Though the analysis is restricted to categorical judgments based on sense perception, a great many interrelated fundamental problems come into play. They center around the dualism between passivity and activity (or receptivity and spontaneity) in human experience and throw new light on this issue which has been at the very heart of philosophical reflection since the age of Plato and Aristotle.

Although this is certainly not a book from which single chapters may be read and understood if taken out of the context of the whole work, I wish to draw the attention of prospective readers to Chapter 2 of its third (and last) section. It deals with the problems of universals and the method of eidetic intuition (Wesensschau). No part of Husserl's doctrine has exercised more influence or been more violently attacked than this theory of eidetic intuition (as presented in his Logische Untersuchungen, 1st ed. 1900); yet it is by no means his most significant contribution to philosophy. In the chapter just mentioned a much profounder analysis of the problems involved

is given than in Logische Untersuchungen. It should henceforth be made the basis for the discussion of these problems.

It seems to me that Erfahrung und Urteil is one of the few great philosophical works of our time. Yet, because it was published in Prague a few months before the conquest of Czechoslovakia,¹ its appearance has remained almost unnoticed outside of a small circle of phenomenologists. An English translation of this work, along with the Formale und transzendentale Logik, would be greatly desirable.

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STRONG, DAVID F. Austria (October 1918-March 1919). Transition from Empire to Republic. New York: Columbia University Press. 1939. 329 pp. \$4.

A valuable contribution to the understanding of the Austrian question is furnished by this book based upon a thorough knowledge and close study of sources which are inaccessible for the average reader in this country. The book covers a period of only six months, from October 1918 to March 1919, but it reveals in that period the roots of many problems touching the present. Among the sources Strong has used are Viennese papers and reviews, parliamentary records and other official publications, monographs by officials of Old Austria, Socialists, Czechs and British experts on central Europe, and, finally, the extremely interesting materials in the Hoover War Library at Stanford University, including statements of Lammasch and Beneš, the complete files of the American Relief Administration and reports of American officials and experts.

There is a noticeable lack of Catholic voices in the quotations used in the book. Seipel is not mentioned at all, although he played an important role not only in the last imperial cabinet under Lammasch and consequently in Emperor Charles' so-called abdication manifesto (November 11, 1918), but also in subsequent party struggles. Seipel's most influential speeches and articles, however, began in April 1919, after the period covered by Strong's book. During that period the Catholic conservatives opposed the official party line as represented by Seipel. They rallied round the review Die Monarchie, later Das Neue Reich, and the writings of older Christian Social leaders like the Tyrolean prelate Aemilian Schöpfer or the former party leader Prince Alois Liechtenstein. The Catholic radicals published the Volkssturm, the contents and style of which were Hitlerian before Hitler.

 $^{^{}f 1}$ I have been informed that a substantial number of copies of the book are available from Allen & Unwin, London.

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The whole story of Old Austria is brought to mind by Lammasch's statement to a confidant of Wilson whom he met in Switzerland during the war: "We . . . have two great enemies. They are the Magyars ... who dominate the whole Empire and whose power is so great that we can do nothing. Our second great enemy . . . is Prussia who because of our internal situation establishes practically a hegemony over us. America must save us from these two enemies" (quoted on p. 96). The result of this situation, which had existed for half a century, was that Benes, with "a mixture of arguments, racial, historical and economic," claimed both the Sudeten Germans and Slovakia for the new Czechoslovakia, in order "to form a bulwark against eighty million Germans" (p. 132). It is astonishing to learn that Beneš nevertheless approved, on purely Czech grounds, of the theory of German-Austrian Anschluss even before it was actively promoted in German Austria. Beneš stated in a letter to William Martin: "With regard to German Austria, we believe it would be better for everyone if Austria became German at once. For us it would be better because irredentism will be much less strong among our Germans toward Germany than toward Austria" (p. 170).

Among the most valuable reports on central Europe in that period are those of Captain T. T. C. Gregory, who was in charge of the American Relief Administration operating out of Trieste. In his unbiased endeavors in behalf of Austria and Vienna—obviously in the greatest misery at that time—Gregory did not hesitate to carry on vigorous controversies with both Italians and Czechs. In February 1919 he wrote to Hoover from Trieste: "The Czech hates the Pole and the Pole hates the Czech, the Austrian hates the Czech and [the] Hungarian hates both of them. The Italian hates the Jugoslav and the Jugoslav hates the Italian. And now, in order to complete the merry little circle, the Czech and Italian are starting a hating contest which is the present state of our difficulty" (p. 220).

Gregory was fully aware of the real situation in central Europe. In the summer of 1919, in his General Report for Central Europe, he wrote: "French influence is strong in the old Empire and Poland. Italians offer competition in Hungary and Austria. But unless American capital enters the field and takes the best of the opportunities offered, German capital will take hold and reorganize the befuddled country. First, commercially, then financially, and before you know it, in 10 or 15 years, Mittel Europa will be a reality in a commercial sense if not in a military one. The Germans are beginning to penetrate into Hungary, Jugoslavia and Austria, and if the initial stiff

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Czecho-Slovak policy towards her Danubian and other neighbors is not modified, she is going to find herself isolated in the center of a ring of nations who didn't care much for her to start with, and who have lost no love for her during the Armistice period" (p. 239). Dr. A. E. Taylor, chief of the Inter-Allied Mission, also understood the Austrian situation when he wrote, in January 1919: "The Viennese does not respond readily to Bolshevism, but unless aid is rendered the city will be plunged into riot, anarchy, and lawlessness, or large sections of the population will quietly await death by starvation, or the people will scatter to the country, as was the case in Russia" (pp. 257-58). Taylor concluded that "the brightest outlook for Vienna as well as its creditors lies in restoring Vienna as a transport and trading center, which in turn would mean a restoration of the old lines of trade, or an Economic Confederation of the Danube and thus a pulling away from Germany" (p. 261).

These clever Americans also obtained a clear perception of the internal situation in Austria and of its leading figures. Gregory characterized Otto Bauer as "one of the strongest and cleverest men in Austria... I became convinced that he is not a Bolshevist at heart, although a Socialist of radical ideas... He correctly stated that the position of Austria with its large and fairly well-educated middle class did not represent the opportunity that existed in Hungary... and he realized that the effect of Communism would be in the immediate separation of all the outlying Provinces from Vienna, leaving a great city of two million people without food, coal, or work. Bauer could have thrown Vienna to the dogs... and the fact that he did not is in itself the best evidence of his purposes and intentions" (pp. 244-45).

Objecting to the attitude of the Italians in impeding the work of the American Relief Administration, Hoover wrote to President Wilson in February 1919: "I want to protest most strongly against any further Treasury advances to the Italian Government until this matter of fearful injustice is put right" (p. 232). Christian A. Herter, special attaché of the United States State Department, wanted "pressure . . . placed on Czechoslovaks to release coal which was destined for Austria. Whether out of politics or out of revenge, Czechs are doing [their] best to make lives of German-Austrians and Magyars miserable" (p. 247). Hoover, as Director General of Relief, was well informed by his excellent collaborators as to the true state of affairs; but, after urging Masaryk in December 1918 to use his influence to supply coal and potatoes from Bohemia to Vienna, he was warned against "too great a feeling of sympathy for German-Austria" (p. 249).

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Some of the problems with which Strong is concerned cannot be dealt with satisfactorily by closing the records in March 1919, when the first coalition government was formed. Particularly the socialization experiment (p. 282) and the Italian penetration in the Alpine-Montangesellschaft (p. 239) transcend in their decisive stages the period covered in this book (see Otto Bauer, Die oesterreichische Revolution, Vienna 1923, p. 178). Because the constructive stage of the coalition government did not develop until after March 1919, the superficial reader of Strong's book might be led to underestimate the elements of cooperation which existed from the beginning. But nevertheless, limitation of the book to the period just preceding the consolidation of the new state indirectly reveals the Austrian vigor which succeeded, despite four years of unsuccessful war and the tremendous difficulties resulting from the disintegration of the Danube monarchy, in building up a new political order by the joint endeavors of labor and peasantry, socialism and Catholicism.

Many of those who played important roles in these decisive years

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of Austria are now in this country: Walther Federn and Gustav Stolper, the editors of Der oesterreichische Volkswirt; Hugo Breitner, creator of "the new Vienna"; Joseph Schumpeter, minister of finance; Hans Kelsen, drafter of the federal constitution. Emil Lederer, advocate of planning socialization, was another. If Strong intends to supplement and revise his studies of Austria, the experiences of these former Austrians might be extremely interesting for him and for his readers. He states in his conclusion: "It may well be argued that the Socialist leaders in Vienna pushed their advantage too far. They sowed the wind from 1920 to 1929, but the whirlwind which they reaped under Chancellor Dollfuss, in February, 1934, soon destroyed the destroyer." It would certainly be valuable not only for the sake of history, but for the present in other countries where the curtain of history has not yet fallen, to know how those who saw the final collapse of Austria would now interpret their experiences of twenty

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